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'Sin Tax' Costs Outweigh Benefits

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U.S. News and World Report

Burdened by unfunded public pension liabilities and healthcare costs, state and local governments are in bad shape, considering the willingness of voters to embrace new spending proposals and their general reluctance to pay taxes to finance them.

Responding to the latest round of public budget "crises," policymakers around the country have begun reviving an old, but not necessarily good idea with added enthusiasm—taxing "sin." What better way to raise revenue than to find something that your neighbor buys or an activity he engages in that you don't like and tax it?

Alcohol, tobacco, and gambling have been taxed for a long time. A tax on whiskey—and the rebellion it triggered by corn farmers in western Pennsylvania—was, after all, one of Treasury Secretary Alexander Hamilton's first "revenue-enhancers." Later on, after Prohibition obviously had failed and the Great Depression had caused income tax receipts to shrink dramatically, Franklin Roosevelt ran for his first term as president on a platform calling for legalizing and taxing alcohol sales.

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