



Research Brief

Why is Liquor Tax Revenue Increasing When Consumption is Decreasing?

September 2025

LCB Research Program

The Research Program at the Washington State Liquor and Cannabis Board (LCB) is a non-partisan, transparent resource focused on public health and safety outcomes related to the products, policy, and regulation of alcohol, cannabis, tobacco, and vapor products.

Purpose

This brief provides an overview of reasons that may explain why tax revenue is generally increasing despite the overall trend of decreasing rates of alcohol consumption in Washington State and across the nation. This brief was created in response to recent concerns and questions from various people, including LCB leadership, about this seemingly counterintuitive trend. This brief is based on a review of existing evidence which includes scientific literature, government reports, policies, and other credible information sources.

This document does not represent an official position of LCB.

Contact

For more information about the Research Program and its work, please visit: lcb.wa.gov/research_program.

For specific questions about this brief, please email the Research Program at: lcbresearch@lcb.wa.gov.

Acknowledgements

This research brief was written by members of the LCB Research Program.

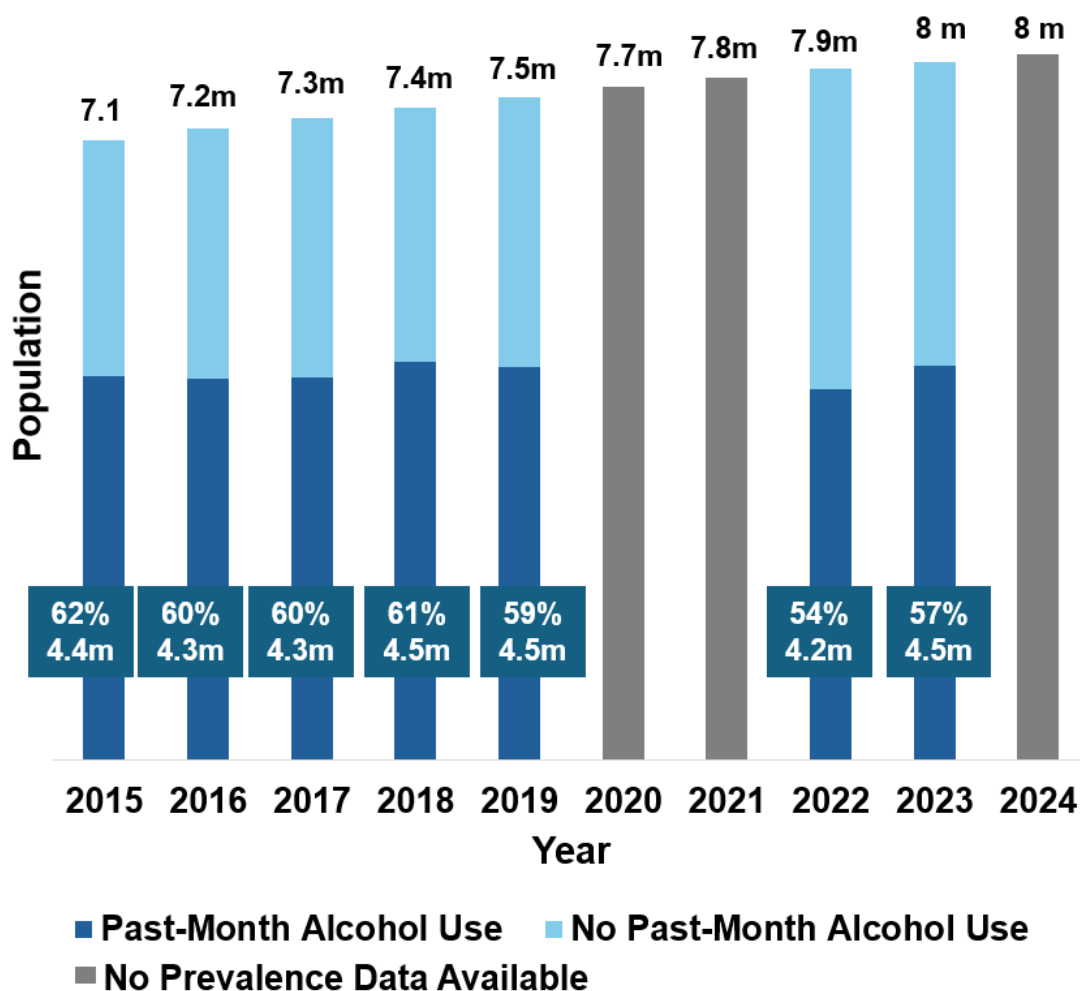
Background.

Alcohol consumption is slowly decreasing.² Although public health partners view this as an achievement, this has caused concern because of decreased tax revenue in already difficult financial times for Washington State (WA). However, alcohol tax revenue has generally increased in WA over the past decade.¹

For example:

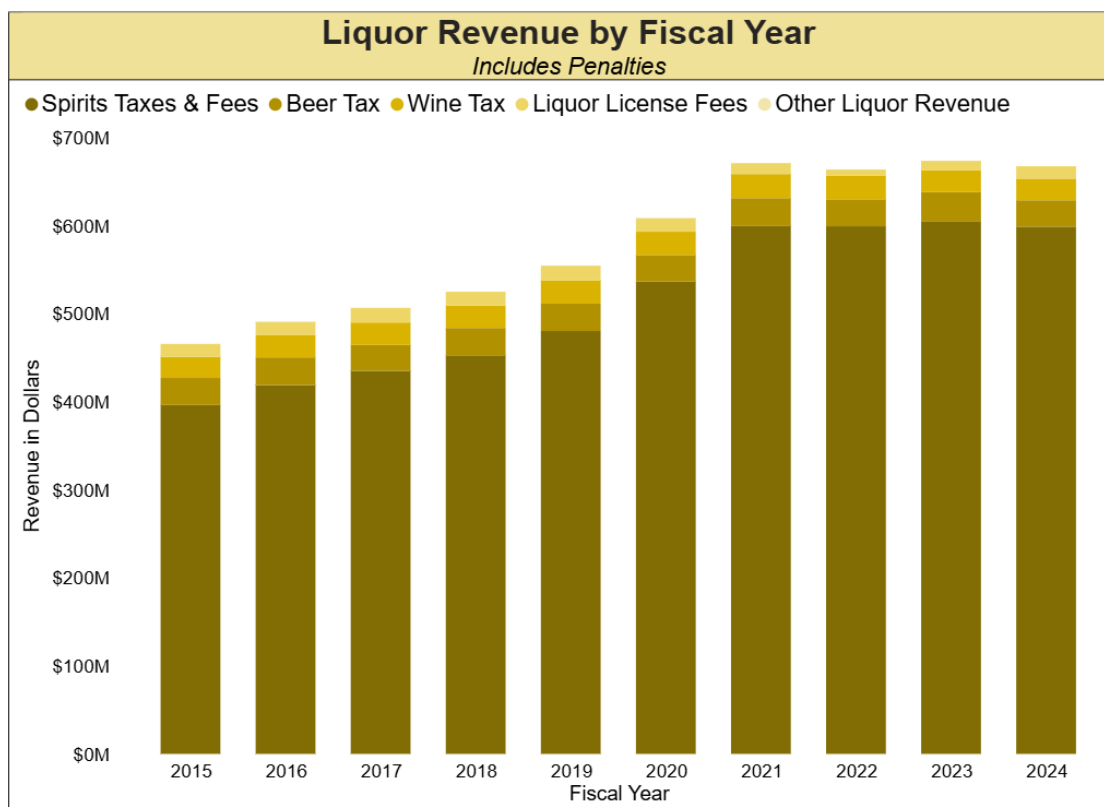
- The prevalence of past-month alcohol use among people age 18+ in WA decreased from 62% in 2015 to 57% in 2023 (**Figure A**).²
- The annual tax revenue in WA increased from \$466 million to \$674 million in that same time period (**Figure B**).¹

Figure A. Population vs. Prevalence of Past-Month Alcohol Use Among 18+ in WA.²



Note: Dark blue boxes show percent of population in WA who endorse past-month alcohol use followed by population estimate.

Figure B. Liquor Revenue in WA by Fiscal Year.¹



This seemingly counterintuitive trend is due to a variety of factors, three of which are below.

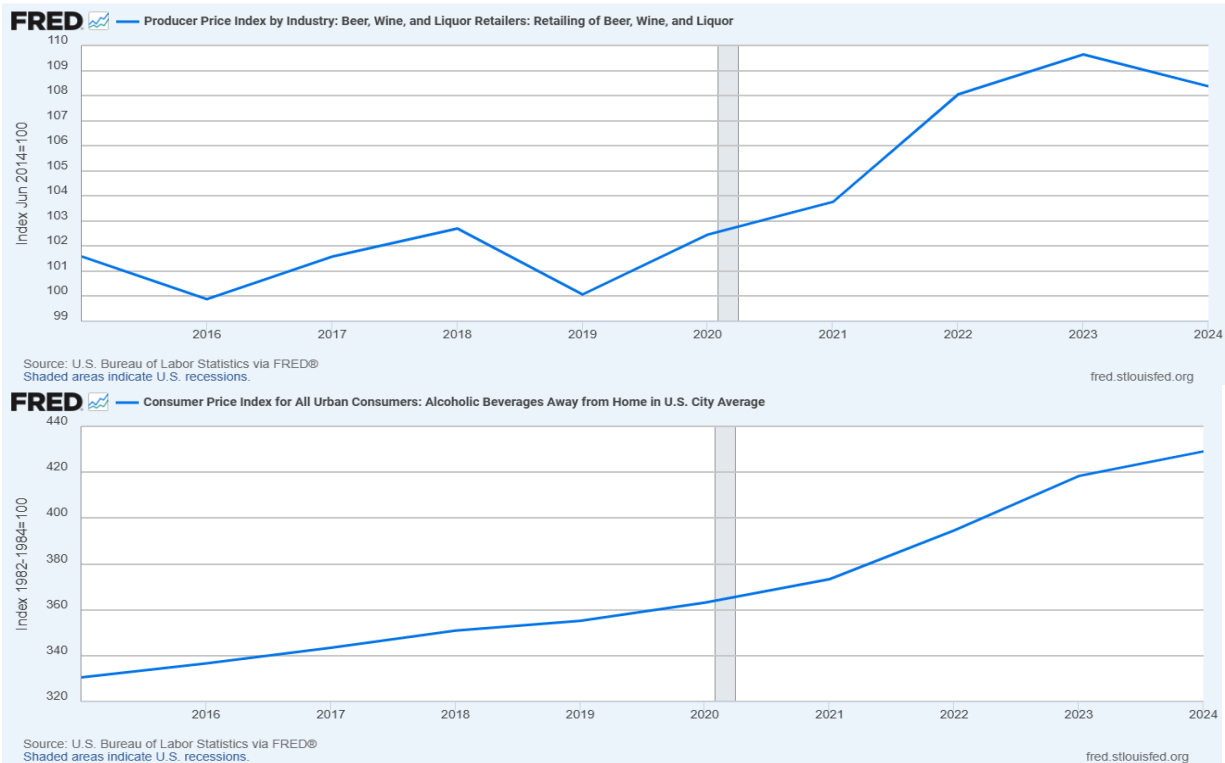
Factor 1: WA's Population is Growing.

The prevalence of past-month alcohol use decreased 8% from 2015 to 2023, however, the overall population in WA increased almost 13% in that same period (**Figure A**).²⁻³ In other words, the absolute population size is growing at a faster rate than the rate of individuals decreasing their consumption patterns. This means that while the percentage of the population that reported past-month alcohol use is decreasing, there is still an increasing number of people that do drink.

Factor 2: Price Inflation Over Time.

Not all taxes are based on how much people spend. However, data from the U.S. Bureau of Labor Statistics indicate that both the Consumer Price Index (CPI) and the Producer Price Index (PPI) for alcohol beverages has increased across time throughout the U.S (**Figure C**).^{4,5} This shows that price inflation is occurring, which impacts overall tax revenue. Although there is limited data specific to WA, research from when spirits sales were privatized indicates alcohol prices increased after 2011.⁶

Figure C. PPI and CPI for Alcohol Beverages in U.S.⁴⁻⁵



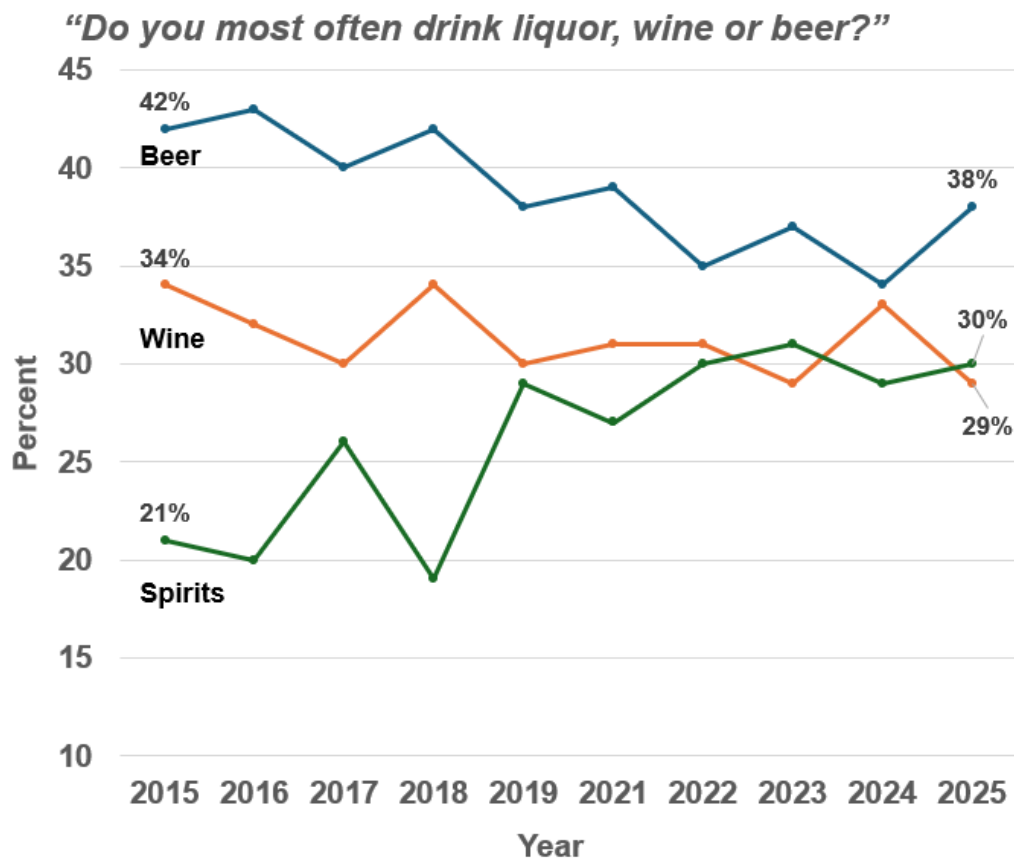
Factor 3: Drink Preferences are Changing.

Along with increasing drink prices, beverage preferences are shifting towards spirit-based products.⁷ One Gallup poll of U.S. consumer preferences found a 50% increase in spirits rated as the most frequently used alcohol beverage type from 2016 to 2025 (**Figure D**).⁷ Again, there is limited state-specific data to WA, but tax revenue underscores this shift given that spirit revenue has had the largest increase relative to beer and wine revenue (**Figure A**).¹ Further, spirits are the most heavily taxed type of alcohol in WA.

Summary.

Although there is a lower percentage of individuals using alcohol, the overall tax revenue in WA has generally increased. There are several factors that play a role, including but not limited to population growth, price inflation over time, and a possible shift in consumer preference to spirits-based beverages. See more information about [Liquor Sales, Revenue, and Distributions for Washington online with LCB's interactive dashboard](#).

Figure D. Most Often Used Alcohol Beverage as Reported in Gallup Poll.⁶



Future Research Recommendations

Specific information in WA would be helpful to better inform policy makers on this topic, such as:

- Point-of-sale pricing and basket size of consumers for beer, wine, and spirits.
- Beverage preferences across time in WA for different age groups.
- Reasons for consumer preferences, for those who are and are not past-month alcohol users.

Suggested Citation

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<https://lcb.wa.gov/research/briefs>

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6. Kerr, W. C., Williams, E., & Greenfield, T. K. (2015). Analysis of price changes in Washington following the 2012 liquor privatization. *Alcohol and Alcoholism*, 50(6), 654-660. <https://doi.org/10.1093/alcalc/agv067>
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