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VF- Distilling Industry

A Report on
The Relative Importance of the Liquor Industry in Kentucky's Economy and of
Alcoholic Beverage Taxes in the State and Local Revenue System

--by--

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Report on the Relative Importance of the Liquor Industry in Kentucky's Economy and of Alcoholic Beverage Taxes in the State and Local Revenue System

In complying with your request, I find that the alcoholic beverage industry in Kentucky is making very substantial contributions to the public revenues -- state, county, and municipal -- and occupies a significant place in the total economy of the State.

The relative importance of the distilling and brewing industries in the total manufacturing of the state is set out in Table 1. These data, of course, do not take account of indirect benefits resulting from the location of a considerable portion of the nation's liquor industry within the state. For instance, the proximity of distilleries and breweries affords an attractive market for choice Kentucky timber for the manufacture of barrel staves. Furthermore, no account is taken of wholesale and retail activities which engage over 35 wholesale dealers in distilled spirits, 800 retail liquor and wine package dealers, 400 dealers selling liquor and wine by the drink, and 4,000 retailers of beer.

Table 1

The Relative Importance of the Alcoholic Beverage Industry in Kentucky Manufacturing, 1939

Manufacturing industry	Persons employed in manufacturing establishments (a)	Salaries and wages	Value of products	Value added by manufacture (b)
Liquors:				
Distilled	2,300	\$3,203,073	\$20,401,940	\$10,483,873
Rectified or blended	291	308,088	3,030,504	1,157,295
Malt	1,180	1,947,877	7,425,887	5,351,565
Total Liquors	3,771	\$5,459,038	\$30,858,331	\$16,992,733
All manufacturing	70,718	\$79,920,023	\$481,029,771	\$187,400,426
Per cent liquor production is of all manufacturing	5.33	6.83	6.42	9.07

Source: 16th Census of Manufacturing, 1940, Vol. III, Table 8, pp. 358-9.

(a) Figures do not include data for personnel of central administrative offices.

(b) Value of products less cost of materials, containers, fuel, purchased electric energy, and contract work.

The data in Table 1 are of particular interest in that the liquor industry is apparently contributing more to the wealth of the state relative to the volume of business done than the average manufacturing enterprise. Whereas the number of persons employed in liquor production is 5.33 per cent of the total number employed in all manufacturing and the salaries and wages paid are 6.83 per cent, the increased value of the product is 9.07 per cent of the total. It may also be observed that salaries and wages paid to employees in the liquor industry constitutes a larger proportion of the total for all manufacturing industries than does the number of employees. This suggests that wage rates in the liquor industry are higher than the average of other manufacturing enterprises in the state.

Because of the inavailability of data, I am unable to determine the total revenue load borne by the alcoholic beverage interests of the state. Reported revenues borne by the liquor interest since 1936, as may be observed from Table 2 and ^{the} Chart, amount to approximately \$8,000,000 annually and account for over 26 per cent of total state general fund revenue receipts.¹ It should be noted, however, that these data do not take into account state and local property taxes, personal and corporate income taxes, mercantile license taxes, social security taxes, unemployment insurance taxes, and other special levies. If these could be included, it would not be surprising if total taxes borne by those engaged in the alcoholic beverage industry should amount to approximately one-third of total state general fund revenues.

From Tables 3 and 4 it may be observed that reported local revenues from alcoholic beverages amount to approximately \$750,000 annually. Practically all wet counties and most cities secure small amounts of revenue from whiskey and beer retail licenses. However, in those counties -- perhaps a dozen -- in which breweries and distilleries are located, substantial portions of local revenues are obtained from general property tax levies on brewery and distillery plants and from

1. Comparable data are not available prior to 1936.

THE RELATIVE IMPORTANCE OF ALCOHOLIC BEVERAGE TAXES

IN KENTUCKY GENERAL FUND REVENUES

1936-37 to 1942-43

■ *Alcoholic Beverage Tax Receipts*

□ *Other Revenue Receipts*



Table 2

The Relative Importance of Alcoholic Beverage Taxes
in Kentucky General Fund Revenues, 1936-37 through 1942-43

State alcoholic beverage taxes	1936-37	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	Annual Average
Beer								
Consumption	\$1,108,172	\$ 997,627	\$ 939,213	\$ 936,894	\$1,080,331	\$1,234,273	\$1,467,587	\$1,109,157
Licenses	(a)	116,325	132,556	123,069	153,833	130,385	101,918	126,348
Distilled spirits								
Case sale	---	---	---	9,552	36,964	42,753	47,320	34,147
Consumption	2,540,731	2,507,358	2,265,709	2,645,569	2,702,221	2,906,746	3,050,739	2,659,868
Import	180,229	184,665	75,713	137,702	159,835	162,596	185,134	155,125
Production	4,707,536	2,086,326	1,769,429	2,141,773	3,025,895	4,006,988	1,105,654	2,691,943
Distilled spirits and wine licenses								
Distiller	78,672	113,840	44,177	15,706	52,000	43,547	37,467	55,058
Rectifier	15,750	30,500	19,025	16,125	14,750	15,000	18,250	18,486
Retail drink	217,009	461,936	175,319	164,451	233,505	208,705	191,014	235,991
Retail package	313,138	563,687	158,802	162,107	193,406	181,376	146,667	245,598
Wholesaler	47,774	84,957	39,843	35,667	34,000	33,000	32,167	43,195
Other	---	4,991	27,531	24,160	10,728	9,864	7,822	14,183
Wine Consumption	37,811	37,838	40,294	57,110	104,805	182,022	255,631	102,216
Distilled spirits ad valorem	107,788	125,944	202,375	259,188	319,612	411,126	541,284	281,045
Total state alcoholic beverage taxes	\$9,354,609	\$7,315,990	\$5,889,986	\$6,729,072	\$8,121,885	\$9,568,381	\$7,188,654	\$7,738,368
State general fund revenue receipts	30,143,094	27,931,527	25,745,385	26,721,012	30,836,810	33,580,948	32,692,006	29,664,440
Per cent alcoholic beverage taxes are of total state general fund revenue receipts	31.03	26.19	22.88	25.18	26.34	28.49	21.99	26.09

Source: Alcoholic beverage taxes data are taken from Department of Revenue, Annual Reports.

State general fund revenue receipts data are taken from Commissioner of Finance, Biennial Reports.

(a) Reported in occupational license taxes prior to March 1, 1938.

the ad valorem tax on withdrawal of whiskey from bonded warehouses. Some measure, though perhaps not complete, of the whiskey withdrawal taxes in county revenues is presented in Table 4. In a few counties the withdrawal tax is a major source of revenue.

Table 3

Municipal Revenues in Kentucky from
Alcoholic Beverage Taxes, 1937-1942^(a)

Year (b)	Louisville	Other municipalities (estimated)	Total
1942	\$445,191	\$104,809	\$550,000
1941	298,204	101,796	400,000
1940	270,454	99,546	370,000
1939	241,075	88,925	330,000
1938	---	---	342,381
1937	---	---	230,000
Average	\$331,481	\$ 98,769	\$332,064

Source: Public Revenues from Alcoholic Beverages, Distilled Spirits Institute, Washington, D. C.

(a) Estimates to the Distilled Spirits Institute originally by the Kentucky Department of Revenue.

(b) Data for Louisville are for license years ending June 30, 1929-40 to 1942-43. Data for other municipalities are estimates for the calendar years indicated.

Table 4

County Revenues in Kentucky from Alcoholic Beverage Taxes
Fiscal Year Ending June 30, 1942(a)

County	Beer and Whiskey licenses	Whiskey with- drawal tax	Total
Anderson	---	\$17,539	\$ 17,539
Boone	\$ 438	---	438
Bourbon	104	---	104
Boyd	550	---	550
Boyle	2,450	---	2,450
Bullitt	---	14,815	14,815
Campbell	1,704	---	1,704
Carroll	179	874	1,053
Fayette	10,939	4,341	15,280
Floyd	1,568	---	1,568
Franklin	859	51,896	52,755
Grant	847	---	847
Greenup	1,000	---	1,000
Hardin	1,560	---	1,560
Harlan	900	---	900
Harrison	1,165	7,753	8,918
Henderson	5,403	---	5,403
Jefferson	15,245	151,073	166,318
Jessamine	524	194	718
Kenton	---	520	520
Larue	---	4,542	4,542
Lee	125	---	125
Letcher	1,167	---	1,167
Lewis	54	---	54
McCracken	1,625	---	1,625
McCreary	1,307	---	1,307
Marion	776	13,497 ^(b)	14,273
Martin	500	---	500
Mason	---	1,841	1,841
Muhlenberg	618	---	618
Nelson	---	51,596	51,596
Nicholas	150	---	150
Oldham	605	---	605
Perry	2,623	---	2,623
Pike	2,223	---	2,223
Scott	---	3,579	3,579
Shelby	421	---	421
Trimble	238	---	238
Union	800	---	800
Warren	4,971	---	4,971
Woodford	119	17,958	18,077
Total	\$63,757	\$342,018	\$405,775

Source: Taken from County Audits by the Auditor of Public Accounts.

(a) The data are incomplete. County audits do not report revenue receipts in sufficient detail to permit complete tabulation by sources.

(b) Includes \$10,834 due in 1942-43 but paid in 1941-42.