

About Our Industry

The Three-Tier System In Iowa

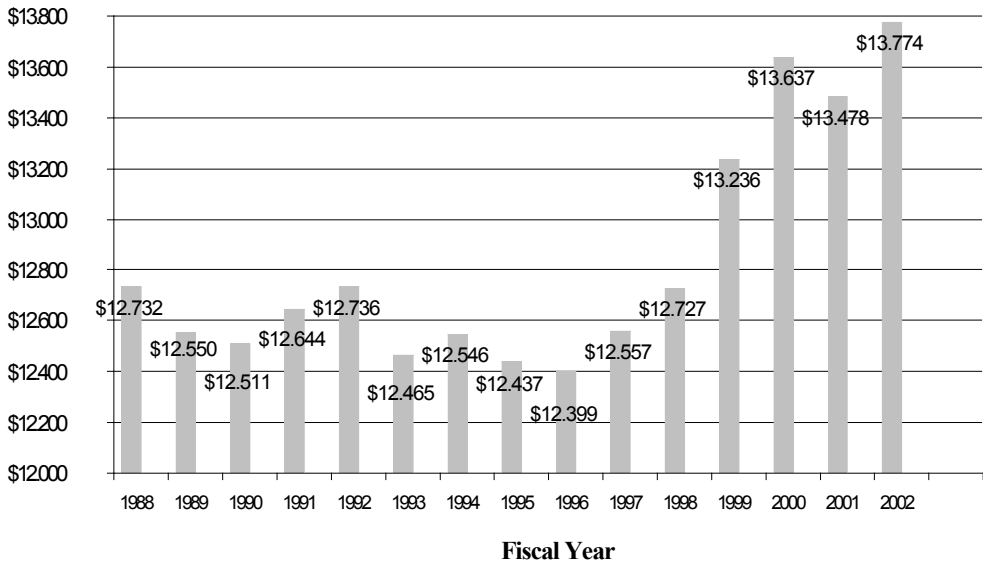
Beer wholesalers operate in a unique regulatory environment that was established by the 21st Amendment to the Constitution and state and federal governments in the wake of the repeal of Prohibition. Since the end of Prohibition over 60 years ago, malt beverages, wine and spirits in the United States have been distributed according to a three-tier system composed of licensed suppliers (brewers, vintners, and distillers), wholesalers and retailers. Beer wholesalers occupy the middle tier of the three-tier system for the distribution and sale of beer that was established to insulate retailers from control by suppliers; to encourage moderation in consumption; to guarantee full collection of state and federal taxes; and to permit states to superimpose their own rules and regulations over licensed beverages that reflect their states practices and beliefs.

Is It Effective?

The three-tier system has far exceeded its framers' expectations. It has produced a beer market that is efficient, highly competitive, extremely responsive to local concerns and control and is unencumbered by pre-prohibition abusive marketing practices. Because of the three-tier system, beer is among the best "deals" in the marketplace today. It is clear that the three-tier system is more necessary than ever to protect consumers and government revenue, as well as to provide for efficient distribution of licensed beverages.

Dollars
(In Millions)

Iowa Beer Excise Taxes



Source: Alcoholic Beverages Division Web Site

The Tax Burden on the Brewing Industry

Tax burdens include:

- taxes paid at all stages of production, distribution, and sales;
- taxes related to sales, income, profits, and payroll;
- taxes paid to federal, state, or local governments;

A standard procedure was adopted to obtain reliable, consistent results for these three industries: malt beverages, baked goods, and boats valued over \$100,00.

- The data sources for the calculations are public, published information primarily from the Department of Commerce and the Internal Revenue Service, allowing confirmation of the conclusions by any interested parties.
- Economic value-added components and taxes are presented in both absolute magnitudes (billions of U.S. dollars) and proportions (shares of value added and effective average tax rates.)
- 1997 was the most recent year for which all necessary data was available, thus this is the reference year for all computations.

The tax burden borne by beer consumers is far higher than average for the U.S. economy.

- Taxes represent 44% of the retail price of beer. In comparison, total federal, state, and local taxes equal 31.7% of final sales of all products (GNP) in the U.S., approximately 20% at the federal level and 12% at the state-local level depending on the year.
- In the reference year (1997), taxes on beer raised just under \$25 billion. The income generated by beer industry manufacturers and related sales and distribution partners added \$10.7 billion in federal personal income, profit, and payroll revenues and \$3.6 billion in similar state-local revenue. Sales and excise taxes on the beer value-added chain added a further \$10.7 billion to government coffers.
- In contrast, bakery products are found to be a typical good in terms of U.S. tax burden, with a 33% effective rate. Boats are more highly taxed, with a 36% burden. On the other hand, services and capital goods face lower tax burdens because they tend not to be subject to sales or excise taxes of any type.

Prepared by *Standard & Poor's DRI* – January 17, 2001

Click on the appropriate button below to learn more about the Economic Impact the beer industry has on the state of Iowa and the United States.

The Beer Institute
Economic Impact of the Beer Industry
2001 Data

United States

	Jobs	Wages	Output
Direct Economic Impact			
Brewery	42,500	\$ 2,799,600,000	\$ 21,750,900,000
Wholesale	96,500	4,734,600,000	11,462,600,000
Retail	<u>718,200</u>	<u>11,561,100,000</u>	<u>26,854,800,000</u>
Total	857,200	\$ 19,095,300,000	\$ 60,068,300,000
Supplier Impact			
Agriculture	33,300	\$ 377,400,000	\$ 1,550,100,000
Business and Personal Services	106,400	3,886,600,000	7,131,800,000
Construction	13,300	539,100,000	997,800,000
Finance Insurance and Real Estate	27,100	1,137,200,000	4,229,300,000
Manufacturing General	67,200	3,281,600,000	15,671,100,000
Retail	12,100	210,900,000	496,800,000
Transportation and Communication	25,800	1,252,700,000	3,822,600,000
Travel and Entertainment	14,700	471,500,000	1,154,700,000
Wholesale	24,900	1,249,500,000	3,025,000,000
Other	<u>9,900</u>	<u>628,300,000</u>	<u>2,284,300,000</u>
Total	334,800	\$ 13,034,900,000	\$ 40,363,600,000
Induced Impact			
Agriculture	15,400	\$ 234,000,000	\$ 886,500,000
Business and Personal Services	163,800	4,375,000,000	8,086,800,000
Construction	11,800	459,000,000	1,092,500,000
Finance Insurance and Real Estate	46,500	2,090,700,000	10,270,400,000
Manufacturing General	37,800	1,746,500,000	8,407,100,000
Retail	119,800	2,329,600,000	5,039,600,000
Transportation and Communication	17,900	868,600,000	2,743,400,000
Travel and Entertainment	25,000	555,800,000	1,325,500,000
Wholesale	16,900	845,200,000	2,046,200,000
Other	<u>16,000</u>	<u>1,762,500,000</u>	<u>4,154,600,000</u>
Total	470,800	\$ 15,266,900,000	\$ 44,052,600,000
Total Impact	1,662,800	\$ 47,397,100,000	\$ 144,484,600,000
Taxes Generated			
Business and Personal			
Federal	\$ 9,251,100,000		
State and Local	\$ 9,561,000,000		
Total Business and Personal Taxes	\$ 18,812,100,000		
Taxes Paid			
Consumption Taxes			
Federal	\$ 3,556,400,000		
State and Local	\$ 5,166,200,000		
Excise	\$ 1,574,600,000		
Sales and Other	\$ 3,591,600,000		
Total Consumption Taxes	\$ 8,722,600,000		
Establishments			
Breweries (includes importers, and company-owned packaging)	1,858	<i>John Dunham and Associates, 2003</i>	<i>Totals May Not Add Due to Rounding</i>
Wholesaling (warehouses)	2,518		
Retail	561,300		

The Beer Industry
Economic Impact of the Beer Industry
2001 Data
Iowa

	Jobs	Wages	Output
Direct Economic Impact			
Brewing and Wholesaling	1,280	\$ 52,600,000	\$ 132,300,000
Retail	<u>8,470</u>	<u>97,800,000</u>	<u>247,300,000</u>
Total	9,740	\$ 150,400,000	\$ 379,600,000
Supplier Impact			
Agriculture	190	\$ 2,600,000	\$ 17,300,000
Business & Personal Services	810	18,800,000	37,500,000
Construction	90	3,200,000	6,100,000
Finance Insurance & Real Estate	200	5,900,000	23,800,000
Manufacturing General	400	14,900,000	85,900,000
Retail	110	1,300,000	3,500,000
Transportation & Communication	130	4,900,000	17,000,000
Travel and Entertainment	80	1,400,000	4,300,000
Wholesale	190	8,100,000	19,700,000
Other	<u>70</u>	<u>3,700,000</u>	<u>12,400,000</u>
Total	2,260	\$ 64,900,000	\$ 227,600,000
Induced Impact			
Agriculture	100	\$ 1,400,000	\$ 8,500,000
Business & Personal Services	1,270	24,200,000	47,500,000
Construction	80	2,700,000	6,800,000
Finance Insurance & Real Estate	340	12,000,000	59,200,000
Manufacturing General	290	10,500,000	53,400,000
Retail	1,090	16,200,000	35,800,000
Transportation & Communication	110	4,400,000	14,900,000
Travel and Entertainment	160	2,900,000	7,500,000
Wholesale	140	5,800,000	14,000,000
Other	<u>120</u>	<u>12,700,000</u>	<u>28,900,000</u>
Total	3,680	\$ 92,800,000	\$ 276,400,000
Total Impact	15,690	\$ 308,100,000	\$ 883,600,000
Taxes Generated			
Business and Personal			
Federal	\$ 55,100,000		
State and Local	\$ 52,700,000		
Total Business & Personal Taxes	\$ 107,800,000		
Taxes Paid			
Consumption Taxes			
Federal	\$ 41,400,000		
State and Local	\$ 48,500,000		
Excise	\$ 13,500,000		
Sales and Other	\$ 35,000,000		
Total Consumption Taxes	\$ 89,900,000		
Establishments			
Breweries (includes importers, and company-owned packaging)	10	<i>John Dunham and Associates, 2003</i>	<i>Total May Not Add Due to Rounding</i>
Wholesaling (Warehouses)	42		
Retail	9,600		