

STATE ECONOMIC CONTRIBUTIONS STUDY
LICENSED BEVERAGE INDUSTRIES, INC.

WASHINGTON

TIMETABLE

JANUARY 1, 1916	: STATE PROHIBITION LAW WENT INTO EFFECT.
JANUARY 1920	: NATIONAL PROHIBITION (18TH AMENDMENT) WENT INTO EFFECT.
APRIL 7, 1933	: SALE OF 3.2 BEER LEGALIZED IN WASHINGTON.
AUGUST 29, 1933	: WASHINGTON VOTERS RATIFIED THE 21ST (REPEAL) AMENDMENT, LEGALIZING THE SALE OF INTOXICATING LIQUOR, BY VOTE OF 364,616 TO 150,920.
DECEMBER 5, 1933	: REPEAL AMENDMENT, RATIFIED BY 36 STATES, BECAME LAW.
APRIL 1934	: LEGAL LIQUOR SALES BEGAN IN WASHINGTON.

1. ESTABLISHED IN THE DEPTHS OF THE DEPRESSION, THE STATE'S ALCOHOLIC BEVERAGE INDUSTRY MADE IMPORTANT CONTRIBUTIONS TO THE STATE ECONOMY EVEN DURING ITS FIRST YEARS OF OPERATION. THE TOTAL OF ALL PRODUCING, WHOLESALING AND RETAILING ESTABLISHMENTS NUMBERS 7,295.

	<u>1935</u> (CENSUS)	<u>1963</u> (EST. FROM LATEST BUS. CENSUS)
EMPLOYMENT	6,230	24,487
PAYROLL AND EARNINGS	\$7,009,000	\$96,334,000

2. THE MONEY EARNED AND SPENT BY THE PEOPLE IN THE ALCOHOLIC BEVERAGE INDUSTRY FOR THE THINGS THEY NEED CREATES IMPORTANT BUSINESS AND PERSONAL INCOME FOR OTHER RESIDENTS OF THE STATE. LAST YEAR THESE EXPENDITURES CAME TO OVER \$85,391,000.

	(000's)
FOOD AND RELATED PRODUCTS.....	\$21,678
HOUSING, INCLUDING RENTAL VALUE OF OWNER AND TENANT- OCCUPIED DWELLINGS.....	11,135
UTILITIES, INCLUDING HEATING, TELEPHONE AND TELEGRAPH.....	4,577
CLOTHING AND ACCESSORIES, INCLUDING DRY CLEANING, LAUNDERING AND REPAIRS.....	8,448
AUTOMOBILES, TIRES, ACCESSORIES, INCLUDING GASOLINE AND REPAIRS.....	9,905
MEDICAL AND DENTAL CARE, INCLUDING HOSPITALIZATION EXPENSES.....	4,804
HOME FURNISHINGS AND APPLIANCES.....	5,579
DOMESTIC SERVICE AND REPAIRS.....	1,708
RECREATION AND PUBLIC TRANSPORTATION.....	4,486
PERSONAL BUSINESS, INCLUDING LIFE INSURANCE, BANK AND LEGAL SERVICES.....	5,670
PERSONAL CARE, INCLUDING DRUGS AND DRUG SUNDRIES, BARBERS, BEAUTY SHOPS, PERIODICALS.....	4,053
PRIVATE EDUCATION AND RESEARCH.....	1,298

3. EQUALLY IMPORTANT, THE ALCOHOLIC BEVERAGE INDUSTRY HAS BECOME A MAJOR SOURCE OF STATE AND LOCAL TAX MONIES.

EVEN IN 1935, STATE REVENUES FROM ALCOHOLIC BEVERAGES
CAME TO..... \$ 2,135,000.

LAST YEAR (1963) THESE TAX MONIES TOTALLED..... \$ 47,347,000.

SINCE REPEAL (THAT IS, FROM 1934 THROUGH THE END OF THE 1963
CALENDAR AND FISCAL YEAR), THESE COLLECTIONS
TOTALLED..... \$695,024,000.

	<u>STATE REVENUE</u>	<u>LOCAL REVENUE</u>	<u>TOTAL</u>
<u>ALL ALCOHOLIC BEVERAGES</u>			
1935	\$ 2,135,000	NONE	\$ 2,135,000
1963	\$ 47,346,631	NONE	\$ 47,346,631
SINCE REPEAL	\$695,024,213	NONE	\$695,024,213

	<u>STATE REVENUE</u>	<u>LOCAL REVENUE</u>	<u>TOTAL</u>
<u>DISTILLED SPIRITS ONLY</u>			
1963	\$ 35,146,415	NONE	\$ 35,146,415
SINCE REPEAL	\$557,130,786	NONE	\$557,130,786

4. THIS MONEY HAS PAID FOR SERVICES WHICH HAVE BENEFITED EVERY SINGLE RESIDENT OF THE STATE.

THE \$695,024,213 IN STATE ALCOHOLIC BEVERAGE REVENUES HAS BEEN USED
TO HELP PAY FOR EDUCATION, PUBLIC WELFARE PROGRAMS,
PARKS AND CONSERVATION, LAW ENFORCEMENT, AND OTHER
VITAL STATE SERVICES.

STATE ECONOMIC CONTRIBUTIONS STUDY
Licensed Beverage Industries, Inc.

W A S H I N G T O N

T I M E T A B L E

January 1, 1916	:	State Prohibition law went into effect.
January 1920	:	National Prohibition (18th Amendment) went into effect.
April 7, 1933	:	Sale of 3.2 Beer legalized in Washington.
August 29, 1933	:	Washington voters ratified the 21st (Repeal) Amendment, legalizing the sale of intoxicating liquor, by vote of 364,616 to 150,920.
December 5, 1933	:	Repeal Amendment, ratified by 36 States, became law.
April 1934	:	Legal liquor sales began in Washington.

1. Established in the depths of the depression, the state's alcoholic beverage industry made important contributions to the state economy even during its first years of operation. The total of all producing, wholesaling and re-tailing establishments 1/ numbers almost 6,850.

	<u>1935</u> (Census)	<u>1962</u> (Est. from latest Bus. Census)
Employment	6,230	13,801 (3,409 in establishments selling distilled spirits)
Payroll and Earnings	\$7,009,000	\$55,350,000 (\$11,457,000 from distilled spirits firms)

2. The money earned and spent by the people in the alcoholic beverage industry for the things they need creates important business and personal income for OTHER residents of the state. Last year these expenditures came to over \$49,311,000.

Food and Related Products.....	\$15,632,000
Housing, including Rental Value of Owner and Tenant- Occupied Dwellings.....	6,028,000
Utilities, including Heating, Telephone and Telegraph.....	2,413,000
Clothing and Accessories, including Dry Cleaning, Laundering and Repairs.....	4,500,000
Automobiles, Tires, Accessories, including Gasoline and Repairs.....	4,611,000
Medical and Dental Care, including Hospitalization Expenses....	2,369,000
Home Furnishings and Appliances.....	4,572,000
Domestic Service and Repairs.....	1,467,000
Recreation and Public Transportation.....	2,994,000
Personal Business, including Life Insurance, Bank and Legal Services.....	1,755,000
Personal Care, including Drugs and Drug Sundries, Barbers, Beauty Shops, Periodicals....	2,297,000
Private Education and Research.....	674,000

- 1/ All establishments. Note that the employment, payroll and earnings, and personal consumption expenditure figures which follow do not include any allowance for drug and grocery stores selling beer only, or beer and wine only, by the package.

3. Equally important, the alcoholic beverage industry has become a major source of State and local tax monies.

Even in 1935, State revenues from alcoholic beverages came to over..... \$ 2,135,000.

Last year (1962) these tax monies totalled over..... \$ 46,516,582.

SINCE REPEAL (that is, from 1934 through the end of the 1962 calendar and fiscal year), these collections totalled..... \$647,677,582.

	<u>State Revenue</u>	<u>Local Revenue</u>	<u>Total</u>
<u>All Alcoholic Beverages</u>			
1935	\$ 2,135,000	\$ None	\$ 2,135,000
1962	\$ 46,516,582	\$ None	\$ 46,516,582
Since Repeal	\$647,677,582	\$ None	\$647,677,582

Distilled Spirits only

1962	\$ 36,355,371	\$ None	\$ 36,355,371
Since Repeal	\$521,984,371	\$ None	\$521,984,371

4. This money has paid for services which have benefited every single resident of the State.

The \$647,677,582 in State alcoholic beverage revenues has been used to help pay for education, public welfare programs, parks and conservation, law enforcement, and other vital state services.

LICENSED
LBI BEVERAGE
INDUSTRIES, INC.

MEMORANDUM

For fourteen years, Licensed Beverage Industries, Inc. has surveyed the extent of the manufacturing and marketing of illicit distilled spirits. The current edition has been reorganized and a new statistical approach taken that results in a more accurate picture of this enormous criminal problem.

Operating under an umbrella of excessively high taxes imposed on legal distilled spirits, moonshining is a syndicate-operated racket. Its economic and social costs to our country and the taxpayers are staggering. LBI, as the public relations and research arm of the legal industry, accepts its responsibility to inform the public of this menace to law, order, public revenues and public health.

I hope you will find "A \$600,000,000 Tax Fraud" an interesting and useful source of information.

Sincerely,

Thomas J. Donovan
President

FROM: Licensed Beverage Industries, Inc.
155 East 44th Street
New York, N.Y. 10017

For Immediate Release

NEW YORK -- Last month, New Jersey police knocked off a synthetic whiskey cutting and bottling plant turning out a flood of moonshine under phony labels for the northern New Jersey and New York market.

About the same time, Georgia police captured a two-ton, ten-wheeled truck carrying three petroleum gas-burning stills capable of producing 3,500 gallons of moonshine.

"These two widely-separated recent incidents confirm the findings of Licensed Beverage Industries' annual moonshine survey, released today, which shows that the threat of illegal liquor to the health, social and economic welfare of the nation is undiminished," Thomas J. Donovan, president of Licensed Beverage Industries, Inc. said.

Reported seizures of illegal stills by federal, state and local officials came to 18,651 for 1962, as compared to 18,593 the year earlier. And these illicit producers turned out an estimated 46 million gallons of moonshine in 1962, according to the LBI's 14th Annual nation-wide survey, titled "A \$600,000,000 Tax Fraud on the American Tax Payer."

"By just about any yardstick," the Survey states, "the manufacture and sale of illegal liquor is still 'big business.'

"It's a lucrative racket that still has its roots and main body in the deep south, but has branched out into criminal-syndicate operations that reach into many sections of the country.

"It's a \$600,000,000 tax fraud.

"It is no longer a strictly regional problem -- because people in the Midwest and Northeast are being subjected to the same threat of lead poisoning from

this South-produced 'white lightning' as those who buy the stuff in Dixie.

"And there is growing evidence that the moonshiners are spreading out -- moving their operations closer to their markets."

One of the significant points documented by the Survey is the "moonshine migration" from rural to urban areas in the South and Midwest. During the survey year, says the Study, "reports of moonshine activities have come from states where little such action has been noted before. These include Maine, Vermont, Massachusetts, Connecticut, Rhode Island, Delaware, Wisconsin and Minnesota in the East and Midwest, and Idaho, Oregon and Washington in the Far West.

"But the trend is most noticeable in the South -- where 96.59 per cent of the illegal, health-menacing liquor is produced. The stills are getting bigger -- and the output is, too."

The Study says: "With hundreds of millions of dollars in profit just waiting to be taken, it isn't surprising that big-time, well-financed crime syndicates have moved into the moonshine picture -- ending once and for all the long-time myth that the moonshiner wasn't anything but a baggy-pants hill-billy making a few corn squeezin's for himself and his neighbors."

This year's Survey covers in some detail the "human side of the story" -- the serious illness, blindness and death that lurks in moonshine and reviews the various medical aspects of lead poisoning which is the frequent result of drinking moonshine.

The major cause of the moonshine problem, the Survey states, "is the exorbitant tax load which federal and state governments have heaped on legally-produced, tax-paid spirits. Another is public apathy.

"The federal excise tax on distilled spirits is \$10.50 a gallon -- five times the cost of production. Add to this the average state tax of \$1.96 a gallon, along with other federal, state and local taxes and fees -- and the consumer winds up with about 58 cents out of every dollar he spends for a bottle going to the tax collectors."

The tax burden results in pricing a typical quart of legal liquor at \$5.80, while a typical quart of moonshine retails for \$4.00, the Survey says.

"That's why moonshining is a big business -- why estimated profits from illegal liquor total \$688.3 million a year. But despite these obvious facts, some states continue to add to their taxes. Since 1959, nine states in the moonshine belt have either raised taxes or mark-ups -- giving more impetus to the illicit trade."

Corrective action, the Report points out, must take place on three fronts:

1. First, there must be a more realistic approach to the question of liquor taxation -- at the state as well as federal level.
2. Today's limited enforcement budgets -- to stamp out this activity -- must be increased substantially.
3. Enforcement activity must be backed up by stricter penalties for moonshiners on the part of the courts.

None of this, the Report adds, "can happen without the support of you, the citizen and taxpayer."



FROM: Licensed Beverage Industries, Inc.
155 East 44th Street
New York, New York 10017

Telephone MUrray Hill 2-4920

NEWS

PP 90

CONTACT: S. Robert Andersen
Director of Publications

FOR: IMMEDIATE RELEASE

Every resident and taxpayer in Washington has a stake in the operations of the alcoholic beverage industry in the State. This was made clear today in an economic study prepared and distributed by Licensed Beverage Industries, Inc.

The alcoholic beverage industry's salaries and taxes contributed \$142,356,000 to the Washington economy in 1965, according to the study. State and local revenues derived from taxes on alcoholic beverages amounted to \$56,665,000.

Salaries paid to the 23,889 persons directly employed by the industry in this State, a substantial portion of which came from the distilled spirits establishments, went to other industries to supply the personal needs of the employees and their families.

Additional millions were spent by the individual segments of the industry for goods and services needed to carry on normal business operations, as well as for property and income tax expenditures.

The \$56.7 million industry tax contribution to the state and local tax coffers brings the total since the Repeal of Prohibition to \$801,733,000.

An analysis of employee expenditures shows that many industries and professional businesses throughout the State benefited directly from the alcoholic beverage industry.

For in 1965, liquor industry employees made purchases totaling \$9,717,000 from public transportation, autos, accessories, gasoline and repairs dealers; \$7,301,000 in clothing and accessories stores, cleaners and laundries; \$17,944,000 from food and related dealers; and \$5,202,000 from home furnishings and appliance dealers.

LICENSED BEVERAGE INDUSTRIES, INC. 155 East 44th St., New York, N.Y. 10017

FROM: Licensed Beverage Industries, Inc.
155 East 44th Street
New York, New York 10017

FOR IMMEDIATE RELEASE

Alcoholic beverage industry salaries and taxes enlarged the Washington economy by \$101,866,582 during 1962, according to a state economic study prepared by Licensed Beverage Industries, Inc.

State revenues derived from taxes on alcoholic beverages amounted to \$46,516,582.* Salaries paid to the 13,801 persons directly employed by the industry in this state totaled \$55,350,000, \$49,311,000 of which went to other Washington industries to supply the personal needs of the employees and their families.

Additional millions were spent by the individual segments of the industry for goods and services needed to carry on normal business operations, as well as for property and income tax expenditures.

The \$46.5 million industry tax contribution to the Washington state tax coffers brings the total since the Repeal of Prohibition to \$647,677,582.

An analysis of employee expenditures shows that many industries and professional businesses throughout the state benefitted directly from the alcoholic beverage industry.

For in 1962, liquor industry employees made purchases totaling \$4,611,000 from auto and gas dealers; \$4,500,000 in clothing stores, cleaners and laundries; \$15,632,000 from food and related dealers; and \$4,572,000 from home furnishings and appliance dealers.

While \$2,369,000 went to doctors, dentists and hospitals; \$2,413,000 for fuel and utilities; \$6,028,000 in housing and \$1,467,000 to domestic service and repairmen, to list a few.

The study notes that the \$647,677,582 collected in state taxes since Repeal, was used to help pay for education, public welfare, parks and conservation, law enforcement, sanitation and other vital public services.

Today, the nation's alcoholic beverage industry represents an investment of more than ten billion dollars. In its manufacturing, wholesaling and retailing establishments it provides employment for more than 1.3 million persons who earn \$5.2 billion in wages and salaries annually.

In addition to the better than \$4.6 billion spent by these employees on personal consumption items, the 410,000 licensees comprising the industry expended nearly \$3 billion for public utilities, rentals, office equipment, raw materials and packaging.

Since national Repeal, the federal treasury alone has collected more than \$59 billion in direct taxes on alcoholic beverages with state and local governments collecting an additional \$22 billion.

In the past twenty-nine years, since the alcoholic beverage industry's rebirth, it has become one of the federal government's most important sources of commodity and service revenue.

Licensed Beverage Industries, Inc., is the national public relations and research organization for the distilled spirits industry.

* Revenue figures are inclusive of general retail sales taxes when applicable to alcoholic beverages.

NOTE: All establishments. Note that the employment, payroll and earnings, and personal consumption expenditure figures do not include any allowance for drug and grocery stores selling beer only, or beer and wine only, by the package.

MEMORANDUM

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