

with a Senate amendment thereto and concur in the Senate amendment.

The SPEAKER pro tempore (Mr. FORBES). The Chair does not recognize the gentleman from California at this time for that purpose.

□ 2145

#### SPECIAL ORDERS

The SPEAKER pro tempore (Mr. FORBES). Under the Speaker's announced policy of May 12, 1995, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois [Mrs. COLLINS] is recognized for 5 minutes.

[Mrs. COLLINS of Illinois addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey [Mr. SAXTON] is recognized for 5 minutes.

[Mr. SAXTON addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania [Mr. KLINK] is recognized for 5 minutes.

[Mr. KLINK addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana [Mr. BURTON] is recognized for 5 minutes.

[Mr. BURTON of Indiana addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey [Mr. PALLONE] is recognized for 5 minutes.

[Mr. PALLONE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana [Mr. MCINTOSH] is recognized for 5 minutes.

[Mr. MCINTOSH addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas [Ms. JACKSON-LEE] is recognized for 5 minutes.

[Ms. JACKSON-LEE of Texas addressed the House. Her remarks will

appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida [Mr. FOLEY] is recognized for 5 minutes.

[Mr. FOLEY addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Massachusetts [Mr. TORKILDSEN] is recognized for 5 minutes.

[Mr. TORKILDSEN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. DREIER] is recognized for 5 minutes.

[Mr. DREIER addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia [Mr. NORWOOD] is recognized for 5 minutes.

[Mr. NORWOOD addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

#### MIDDLE CLASS TAX RELIEF: REDUCE THE BEER TAX

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania [Mr. ENGLISH] is recognized for 5 minutes.

Mr. Speaker, I represent part of Western Pennsylvania, a region which gave rise to the Whiskey Rebellion, one of America's first tax revolts. Today, working families in our area face a higher tax burden than ever before—So I am pleased to introduce today information that provides strong support for H.R. 3817, a bill to provide meaningful tax relief to average Americans.

If enacted, this bill will eliminate the \$1.7 billion federal tax increase imposed on more than 80 million American beer drinkers since 1990. And with good reason.

Most working Americans have little conception of the level at which they are taxed. Certainly, average men and women know that they pay a personal income tax and the FICA tax and they probably notice the state sales tax that is levied on many of the products they buy. But these taxes are only the tip of the iceberg. It's important that average Americans understand how much of the total tax burden they bear is invisible to them. I am talking about hidden taxes that are buried in the purchase price of products ranging from beer to bread to gasoline. Because they are concealed, these taxes engender little opposition from the taxpayers. But

they contribute tangibly to the cost of living for hardworking Americans.

It is particularly appropriate to look at beer because the weight of an unfair tax system is heaviest on average Americans when they lift a cold one. The hidden taxes on beer are exceptionally high, and they fall overwhelmingly on average Americans who are already doing more than their fair share to support the government.

To fully understand how heavily beer drinkers are taxed, I submit to this body a powerful study completed by the economic research firm DRI/McGraw Hill. According to this analysis, taxes represent fully 43 percent of the retail price of beer. This astonishing conclusion is arrived at by tabulating federal and state excise taxes, state and local sales taxes, taxes on corporate and personal earnings, in fact, of all the taxes that go into a bottle or can of beer. Not just the taxes people see but all the taxes.

The beer tax is an excellent example of how unseen taxes—taxes that don't require government to be as accountable to the public—can lead to a misallocation of the tax burden across our society. To appreciate this, I ask you to remember the circumstances under which the federal excise tax on beer was raised in 1990.

That year, Congress imposed a tax increase not only on beer but also on luxury items. Persons purchasing luxury automobiles would have to pay more—as would those buying yachts, private airplanes, furs and jewelry.

While I do not like hidden taxes or tax increases, I understand the symmetry of a tax policy that says, "If we're going to impose a discriminatory tax on beer drinkers \* \* \* let's do the same for yachtsmen." After all, nearly two-thirds of the beer consumed in the U.S. is purchased by households earning \$45,000 a year or less.

But, look what has happened since the 1990 tax package was passed. The tax on yacht owners has been repealed. So has the tax on private airplanes. And so has the tax on people buying jewelry and furs. In fact, only the tax on luxury autos remain—and, a few weeks ago, we voted to phase out that provision.

In each case, the rationale offered for removing these luxury taxes on unemployment. But that same logic applies to beer. In fact, the beer tax increase eliminated tens of thousands of jobs—an impact that dwarfs that of all the luxury taxes, combined.

Mr. Speaker, I suggest that the hidden nature of the beer tax increase contributed directly to this unfortunate outcome. If hardworking, average Americans knew how much they pay in taxes on beer—and if they understood how those taxes cost jobs—the 1990 beer tax increase would have been repealed long before now.

But it is by no means too late to act. By repealing the 1990 tax, we can largely undo the damage that was done six year ago. DRI/McGraw Hill estimates

that eliminating the 1990 tax hike would put millions of dollars back into the pockets of working Americans who drink beer. It would increase beer sales by more than 2 percent—and it would create 50,000 jobs in our nation's economy.

Moreover, the study also found that increased employment, reduced demand for Government services, and other macroeconomics effects, would offset fully 75 percent of the budget impact of repealing the beer tax.

I ask my colleagues to consider the evidence, and join with me—and with Representatives ENSIGN, CHRISTENSEN, and BLUTE, who are cosponsors of this bill—in supporting H.R. 3817.

## STUDY GOALS AND SCOPE

The goal of the DRI/McGraw-Hill research was to identify all taxes associated with 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 study results.

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.)

1993 was the most recent year for which all necessary data was available, thus this is the reference year for all computations.

## SUMMARY OF FINDINGS

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

Taxes represent 43 percent of the retail price of beer. In comparison, total Federal, state, and local taxes equal 30 percent of final sales of all products [GNP] in the U.S. approximately 20 percent at the Federal level and 10 percent at the state-local level depending on the year.

In the reference year (1993), taxes on beer raised just under \$21 billion. The income generated by beer industry manufacturers and related sales and distribution partners added \$8.6 billion in Federal personal income, profit, and payroll revenues and \$2.6 in similar state-local revenue. Sales and excise taxes on the beer value-added chain added a further \$9.1 billion to government coffers.

**Summary Table**

**Tax Burdens Through the Production Chain**  
(Billions of Tax Dollars Paid on Value Added)

	<u>Sales &amp; Excise Taxes</u>	<u>Income, Profit, &amp; Payroll Taxes</u> Federal      State & Local	<u>Total Taxes</u>
Retail Services	\$ 2.48	\$ 3.64	\$ 6.85
Wholesale Services	\$ 1.37	\$ 1.34	\$ 3.00
Transportation Services	\$ 0.03	\$ 0.13	\$ 0.20
<b>Producer (incl. spec. taxes)</b>	<b>\$ 5.23</b>	<b>\$ 3.49</b>	<b>\$ 10.30</b>
Producer-direct	\$ 0.06	\$ 3.49	\$ 5.13
Special product taxes	\$ 5.17	\$ -	\$ 5.17
Net imports	\$ 0.01	\$ -	\$ 0.01
<b>Total Tax</b>	<b>\$ 9.13</b>	<b>\$ 8.60</b>	<b>\$ 20.36</b>

**The Value-Added Chain**

	<u>Dollars</u>	<u>Percent</u>
Retail Services	\$ 17.39	37%
Wholesale Services	\$ 7.06	15%
Transportation Services	\$ 0.63	1%
<b>Producer (incl. spec. taxes)</b>	<b>\$ 21.59</b>	<b>45%</b>
Producer-direct	\$ 16.42	35%
Special product taxes	\$ 5.17	11%
Net imports	\$ 0.82	2%
<b>Total Value Added</b>	<b>\$ 47.50</b>	<b>100%</b>

**Tax Dollars Paid as a Percent of Value Added**

	<u>Sales &amp; Excise Taxes</u>	<u>Income, Profit, &amp; Payroll Taxes</u> Federal      State & Local	<u>Total Taxes</u>
Retail Services	14%	21%	39%
Wholesale Services	19%	19%	42%
Transportation Services	5%	21%	31%
<b>Producer (incl. spec. taxes)</b>	<b>24%</b>	<b>16%</b>	<b>48%</b>
Producer-direct	0%	21%	31%
Special product taxes	100%	0%	100%
Net imports	2%	0%	2%
<b>Total Tax</b>	<b>19%</b>	<b>18%</b>	<b>43%</b>

To relate this information to a more common consumer experience, the following information has been scaled to a per-bottle basis.

**Tax Detail on a Per-Bottle Basis:**

<b>Total Consumer Cost Per Bottle</b>	<b>\$0.77</b>
Breakdown of 43% of cost that is taxes:	
Sales and excise taxes	<b>\$0.15</b>
Federal income, payroll, and other taxes	<b>\$0.14</b>
State and local income, payroll, and other taxes	<b>\$0.04</b>
<b>Sum of Taxes</b>	<b>\$0.33</b>

**Stages of Production Tax and Business Cost-Per-Bottle (US\$)**

Cost		Taxes
\$0.09	Suppliers to Brewers	\$0.04
\$0.11	Brewing	\$0.12
\$0.07	Transportation/Wholesaling	\$0.05
\$0.17	Retailing	\$0.11
<b>\$0.44</b>	<b>Totals</b>	<b>\$0.33</b>

**Stages of Production Tax and Business Cost-Per-Bottle (%)**

Cost		Taxes
12%	Suppliers to Brewers	6%
14%	Brewing	16%
9%	Transportation/Wholesaling	7%
22%	Retailing	14%
<b>57%</b>	<b>Totals</b>	<b>43%</b>

## METHODOLOGY

This DRI/McGraw-Hill study identifies the economic value-added chains and tax burdens of the beer industry. Data taken from a variety of sources including the Bureau of Economic Analysis [BEA] National Income and Product Accounts, the 1993 Internal Revenue Service [IRS] Corporation Source Book of Statistics of Income, and the BEA's most recent Benchmark Input-Output Accounts of the United States were utilized to calculate the value added and associated tax burden along the process of production, transport, and distribution.

*Description of summary table*

The table which precedes this section of the report contains three sections: Tax Burdens Through the Production Chain, The Value-Added Chain, and Tax Dollars Paid as a Percent of Value Added. The first section, Tax Burdens Through the Production Chain, is a compilation of tax calculations from the supporting table contained in the Data Appendix which follows. "Sales and Excise Taxes" in the summary table were taken from the columns labeled "Total Taxes: Indirect" on page 2 of the supporting table. Taxes associated with retail beer sales are the sum of on-premise (eating and drinking establishments) and off-premise (grocery and liquor stores) activities. The "Income, Profit, and Payroll Taxes" in the summary table represent all other taxes as calculated in the tables in the Data Appendix. "Total Taxes" on the summary page are equal to the "Grand Total" as found in the supporting table.

The middle section of the summary table, The Value-Added Chain, was also taken directly from the supporting table, and is discussed at length below. In each step of producing, transporting, and distributing beer to the consumer, value is added through the employment of workers, the depreciation of capital, and the realization of profit. Each line item, in billions of dollars, represents a portion of the total final national expenditure for beer.

The last section of the summary table, Tax Dollars Paid as a Percent of Value Added, simply divides the values in the first section by the values in the second. This section indicates the relative tax burden that the beer industry bears at each stage of production and distribution. For example, 43 percent of the total value added to the economy by the beer industry represents taxes of one form or another. A large portion of the taxes on the beer industry are paid at the prouder level.

*Description of supplementary tables*

The top-line number used for the beer industry is a total domestic consumption 1 number for the year 1993. (See, for example, page 1, cell B17 of the supplementary table entitled, "Brewing Industry Data Appendix".) For beer, the dollar values for total consumption—which include both at home and restaurant expenditures—were sourced from the National Income and Product Accounts, "Personal Income and Outlays," produced by the BEA.

In order to arrive at a domestic production and distribution number—i.e., how much U.S. companies produce and distribute—we adjusted the total consumption number by subtracting imports and adding in exports. The source for these trade figures is the publication Trade and Employment produced jointly by the Bureau of the Census and Bureau of Labor Statistics.

The total consumption number adjusted for trade for each good was then decomposed into its value-added chain, i.e., producer's contribution, transportation services, wholesale services, and retail services. For beer, the producer's contribution is the 1993 shipments value from the Annual Survey of Manufacturers prepared by the Bureau of the Census. The input-output accounts were again used to estimate the transportation, wholesale and retail services along each product's value-added chain.

The producers' contribution to value added includes the value added of all suppliers to the manufacturer. These inputs are then further detailed in the bottom half of the beer industry table with the distribution among the various inputs derived from the input-output accounts. The value of these inputs depreciation and other small value-added contributions of the manufacturer are reported as "Other Value Added." For example, in the supplementary table for the brewing industry, the value of beer shipped by manufacturers is roughly \$17 billion. "Other Value Added" is \$13 billion of which approximately \$10 billion is brewing inputs detailed in the lower half of the table.

*Taxes on labor*

Labor compensation was calculated as a portion of industry output and each associated link along the value-added chain. Wages and salaries (taxable compensation) were taken as a percentage of total labor compensation calculated through statistics presented in the National Income and Product Accounts. Effective tax rates for Federal payroll and income and state and local income for 1993 were multiplied by wage and

salary compensation, and are listed under the "Taxes on Labor" columns, specified in millions of dollars.

Effective tax rates were calculated as the gross tax receipts as documented by the National Income and Product Accounts divided by the relevant tax base developed by DRI/McGraw-Hill. For example, the average Federal personal income tax rate for 1993 was 11.7% *Marginal* Federal tax rates begin at 15 percent and rise to 39.6 percent, but exemptions and deductions reduce the ratio of taxes to income to 11.7 percent. Similarly, tax credits and other adjustments reduce the effective Federal corporate income tax rate from the statutory 35 percent to a 32.2 percent effective average rate.

*Taxes on profits*

Profits were calculated as industry-specific percentages of revenue based on data in the Corporation Source Book of Statistics of Income compiled by the IRS. These profit margins were then multiplied by the revenues associated with the calculated value-added components. Federal, and state and local profit taxes are taxes on corporate profits. Federal, and state and local taxes are taxes on dividends and capital gains realized by shareholders; we estimated these dividends and gains as corporate profits minus taxes. As noted above, the effective average tax rates were calculated by DRI/McGraw-Hill using inputs from the National Income and Product Accounts.

*Tax on other value added*

Other value added includes items such as depreciation and non-corporate income, and represents additional taxable output to the economy. Depreciation, for example, represents capital expenditure and thus, income to firms that provide related goods and services. Effective Federal and state tax rates that are applied to the general economy were multiplied by a calculation of other value added along the relative production chains for each analyzed industry.

*Indirect taxes*

Indirect taxes represents all sales, excise, and product-related taxes. Sales taxes and non-tax government payments (e.g., licenses, fees, penalties) were calculated as a percentage of total output through input-output accounts, with the exception of retail taxes. These taxes were calculated based on tax rates presented in a study by the Institute on Taxation and Economic Policy. Product-related taxes (e.g., alcohol) were calculated from reliable industry-specific literature.

### Data Appendix

#### Brewing Industry Data Appendix

Page 1 of 2

	A	B	D	E	F	G	H	I
1	<b>Analysis of Beer Industry (in \$ millions)</b>					<b>Tax Rates</b>		
2	<b>Distribution of Value Added</b>					<b>Effective</b>		<b>1993</b>
3					a	Federal Payroll:		17.0%
4					b	Federal Income:		11.7%
5					c	State/Local Income:		3.7%
6					d	Federal Profit:		32.2%
7					e	State/Local Profit:		5.7%
8					f	Federal Tax @ GNP:		19.4%
9					g	S/L Tax @ GNP:		10.8%
10								
11								
12								
13		<b>1993</b>	<b>Total</b>	<b>Wages</b>	<b>Wages</b>	<b>Pre-tax</b>	<b>Indirect</b>	<b>Other</b>
14		<b>Beer</b>	<b>Labor</b>	<b>as % of</b>	<b>&amp; Sal.</b>	<b>Profit</b>	<b>Taxes</b>	<b>Value</b>
15		<b>VA</b>	<b>Comp.</b>	<b>L.C.</b>	<b>D'E</b>			<b>Added</b>
16	Formula							
17	<b>Total Domestic Consumption</b>	47,969.5						
18	<b>Exports</b>	233.7						
19								
20	<b>Retail (net of alcohol taxes)</b>	17,392.0						
21	E&D shares	51.60%	51.60%	51.60%	51.60%	51.60%	51.60%	51.60%
22	Eating & Drinking (& sales tax)	8,974.3	5,848.7	84%	4,894.3	591.7	1,300.2	1,233.6
23	Off-premise	8,417.7	5,336.2	85%	4,555.6	410.0	1,184.5	1,487.0
24	<b>Wholesale Services</b>	7,063.0	4,141.3	84%	3,466.0	218.0	1,368.4	1,335.3
25	Transport. Services	633.2	398.2	78%	309.4	15.9	30.2	189.0
26	<b>Domestic Brewers' Contribution*</b>	16,422.0	1,952.4	80%	1,565.7	1,160.3	58.0	13,251.3
27	Imports	1,055.0					14.4	
28	Federal Alcohol Taxes	3,339.3					3,339.3	
29	State Alcohol & License Tax	1,831.4					1,831.4	
30	<b>Total Brewer &amp; Dist.</b>	<b>47,969.5</b>	<b>17,676.8</b>		<b>14,791.0</b>	<b>2,395.9</b>	<b>9,126.3</b>	<b>17,496.2</b>
31	* excluding Fed. & State alcohol taxes							
32								
33	<b>Detail: Value of Domestic Beer</b>							
34	<b>Value of Brewer Inputs</b>	<b>8,551.5</b>						
35	Agriculture	222.8						
36	Food Products	261.1						
37	Malt	615.1						
38	Glass Containers	1,466.2						
39	Metal Containers	3,416.1						
40	Paperboard	498.8						
41	Transport	223.8						
42	Wholesale Trade	328.3						
43	Advertising	1,085.0						
44	Other	434.2						
45	<b>Tot. Suppliers (VA)</b>	<b>8,551.5</b>						

