

Governor's ABC Privatization Plan

Looking Behind the Claims

The Arithmetic of Liquor Taxes

From: Virginia Wine and Beer
Wholesalers' Associations

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	ABC (FY2010)	Privatization*	
Spirit Excise Tax	\$111,300,000	\$175,700,000	\$64,400,000 Increase
Wine Excise Tax	\$30,544,302	\$31,244,302	
Malt Beverage Tax	\$44,454,000	\$43,400,000	
Sales Tax	\$29,906,000	\$43,906,000	
Profit to State	\$120,400,000	Private Sector	
Convenience Fee		\$19,400,000	New
Wholesale License Fee		\$7,100,000	New
Retail License Fee		\$1,475,000	New
State Income Tax		\$5,800,000	New
Total	\$336,604,302	\$328,025,302	

* Source: Secretary of Finance Richard Brown, Presentation 9-8-10

Who Pays The Increase In Excise Taxes?

Privatization Plan	\$175,700,000*
ABC FY 2010 Excise Taxes	\$111,300,000
Increase Excise Tax	\$64,400,000 (57% Increase Over FY 2010)
Repatriated Gallons	970,040
Excise Tax/Gallon	\$17.50*
Repatriated Excise Taxes	\$16,675,700
FY 2010 Gallons	9,072,723
Increase Tax On FY 2010 Gallons	\$5.23 (\$5.23 = 42% Increase)
Tax Increase On Consumers	\$47,503,341
Total Excise Tax Increase	\$64,126,041

* Source:
Secretary of
Finance
Richard Brown,
Presentation 9-
8-10

Increase In Excise Tax Per Gallon

ABC FY 2010 Spirit Excise Tax	\$111,300,000
FY 2010 Total Gallons Sold	9,072,723
FY 2010 Excise Tax Per Gallon	\$12.27
Privatized Spirit Excise Tax Per Gallon	\$17.50*
Increased Tax Per Gallon	\$5.23
Increase as a percent of FY 2010	42.53%

* Source: Secretary of Finance Richard Brown, Presentation 9-8-10

Increase In Average Price Per Gallon (At Retail Outlets)

ABC FY 2010 Sales	\$675,318,728
FY 2010 Gallons	9,072,723
FY 2010 Price per Gallon	\$74.43
Privatization Off-Premise Sales	\$714,000,000*
Privatization Off-Premise Gallons	8,235,066
Privatization Off-Premise Price Per Gallon	\$86.70
Price Increase Off-Premise Per Gallon	\$12.27
Price Increase as % of FY 2010 Price	16.48%

* Source: Secretary of Finance Richard Brown, Presentation 9-8-10

New Income Taxes Collected

Pre-Tax Privatization Industry Profits	\$103,334,550
Federal Income Tax	\$27,027,668
State Income Tax	\$5,800,000*

* Source: Secretary of Finance Richard Brown, Presentation 9-8-10

Per Unit Tax Is Inefficient

Privatization Tax Per Gallon	\$17.50*
Inflation	3%
Years	5
Privatization Tax Per Gallon	\$15.10

* Source: Secretary of Finance Richard Brown, Presentation 9-8-10

Per Unit Taxes Are Regressive

Locality	Lunenburg County	Fairfax County	
2008 Average Household Income	\$34,379*	\$107,075*	
FY 2010 Gallons Purchased	9,705**	1,062,031**	
FY 2010 Spirits Excise Taxes Paid	\$86,352**	\$13,997,503**	
Privatization Spirits Excise Taxes Paid	\$169,839	\$18,585,538	Gallons Purchased x \$17.50
Excise Tax Increase	\$83,487	\$4,588,035	
Excise Tax Increase as a % of 2010 Excise Taxes Paid	96.68%	32.78%	

*Bureau of Labor & Statistics

**Source: ABC

In Summary

- The Governor's plan WILL raise spirits excise taxes per gallon for existing consumers (+42.5%).
- Those taxes WILL have an impact on retail price per gallon for liquor sales (+16.5%).
- The per-gallon excise tax is inefficient.
- The per-gallon excise tax is regressive and impacts low income consumers disproportionately.