

Economic Contributions of Distilled Spirits in Texas 2020

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DISCUS

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EXECUTIVE SUMMARY

Despite the unprecedented events produced by Covid-19, in the year 2020, in Texas, distilleries continued generating benefits for nearby communities and the state. That year there were 190 distillers licensed and considering their direct, indirect, and induced effects, Texas distillers contributed with:

- Nearly **\$2.0 billion** in total economic output (or revenues).
- Close to **4,900 jobs were supported**.
- As much as **\$334.9 million** in salaries and benefits paid to workers.
- Almost **\$948.2 million** of gross state product.
- Approximately **\$383.8 million** in federal excise taxes were paid.
- Out of the \$108.9 million in spirits gallonage **excise taxes collected by the state** in FY2020, close to **\$8.6 million correspond to locally made spirits**.
- Almost **\$9.7 million** in payroll taxes were paid.
- Over **\$4.1 million** in property taxes were paid.
- Almost **\$607,500** as licenses and fees, and close to **\$175,500** as package retail tax paid.
- Approximately, **\$481,450** from on-premise mixed beverage sales taxes paid. The tax paid in 2020 **declined by more than \$240,000**, or 34 percent, due to COVID-19 related closures.
- Close to **\$391,000** from on-premise mixed beverage gross receipts taxes were paid. The tax paid in 2020 **declined around \$200,000**, or 34 percent, due to COVID-19 related closures.
- Out of the \$968.6 million mixed beverage taxes collected by the State and by local governments in FY2020, close to **\$42.9 million** correspond to locally made spirits.

Supply chain effects

- **Merchant wholesalers of nondurables** top the list of suppliers (\$106.7 million), followed by wholesalers of machinery and equipment (\$44.0 million), glass container manufacturing (\$28.3 million), and truck transportation (\$26.0

- million). Other suppliers like marketing-related activities (\$16.5 million),¹ wineries (\$13.0 million), and grain farming (\$5.5 million), also make the list.
- The group of merchant wholesalers' nondurables is a general category that includes alcoholic beverages merchants, grain and field bean merchants, and several other products.
 - An important portion of the goods and services supplied to distillers comes from Texas producers. For example, **86.9 percent** of the \$106.7 million provided by merchant wholesalers comes from local companies. With grain farming, local producers supplied **30.6 percent** of the \$5.5 million used in distilling spirits.

¹ The group marketing and advertising includes several industries: advertising, public relations and related services, photographic services, marketing research, management consulting services, internet publishing and web search portals, news syndicates, radio and television, newspapers, and other periodical publishers.

Economic Contributions of Texas' Distillers in 2020

The current analysis depicts the values and opportunities in Texas created by distillers. In 2020, 190 distillers supported almost 4,900 jobs, over \$2.0 billion in output, near \$948.2 million in gross state product, and over \$334.9 million in payroll.

As in previous studies, two North American Industry Classification System (NAICS) codes were used to estimate the contributions of the industry. Federal agencies define the industry with NAICS code 312140 as distilleries and NAICS 312130 as wineries; this last code includes brandy activity. Federal agency data do not show the information for brandy employment separate from wine production. In 2020, distillers directly hired 1,321 employees, and brandy producers directly hired 36 employees, for a combined total of 1,357 employees.

The table below shows output, gross state product, payroll, and employment contributions for 2020:

Economic Contributions of Distillers in Texas 2020 (Including Brandy)				
	Direct	Indirect	Induced	Total
Output (millions of dollars)	\$1,294.3	\$506.2	\$219.5	\$2,020.1
Employment	1,357	2,158	1,380	4,895
Gross State Product (millions of dollars)	\$568.9	\$254.0	\$125.3	\$948.2
Payroll (millions of dollars)	\$102.0	\$159.8	\$73.1	\$334.9

*Gross State Product (also called value-added), describes how income is distributed among different categories: employee compensation, other property income (like profits, interest income, dividends, among others), and the tax on production and imports (particularly sales taxes at the State level).²

Source: IMPLAN online platform.³ Elaboration: J. Oyakawa

Total Output

Total output (revenues) contributions can be analyzed to get a better understanding of the industries' effects in the region. The two industries under analysis are distilleries (NAICS 312140, excludes brandies) and wineries (NAICS 312130, for the production of brandy).

Output contributions are the most common indicator used in contribution studies, even though they are not the most precise measurement of economic activity.⁴ For manufacturing, these contributions measure sales plus/minus changes in inventory: "For industries that do hold

² Taken from IMPLAN website: <https://implanhelp.zendesk.com/hc/en-us/articles/115009679628-Income-FAQ>

³ IMPLAN® model, 2020 Data, using inputs provided by the user and IMPLAN Group LLC, IMPLAN System (data and software), 16905 Northcross Dr., Suite 120, Huntersville, NC 28078 www.IMPLAN.com

⁴ Gross state product (GSP) is a better measurement of regional economic activity because it does not include the value of intermediate goods bought from outside the area of study and used in the production process. However, output or revenues are easier concepts to understand.

inventory, output equals revenues less any net change in inventory (additions to inventory minus sales out of inventory); for these industries, it is possible for a year's sales to exceed that year's value of production, if some of those sales came out of inventory (a previous year's production); in I-O models, what matters is the value of production that occurred in a year, since production is what drives the purchases of inputs. Sales of items that have been sitting in inventory do not generate indirect and induced contributions this year since they were produced in a previous year; thus, we don't want to count them as part of this year's output, else we'd overstate the indirect and induced impacts.”⁵

Output: Industries Impacted by Distillers in 2020 (Total Contributions) In Millions of Dollars	Total Contributions Output
Distilleries	\$1,282.8
Wholesale - Other nondurable goods merchant wholesalers	\$108.9
Wholesale - Machinery, equipment, and supplies	\$44.4
Other real estate	\$28.9
Glass container manufacturing	\$28.3
Truck transportation	\$28.2
Wineries	\$23.9
Owner-occupied dwellings	\$22.4
Marketing related industries	\$21.3
Management of companies and enterprises	\$20.5
Insurance agencies, brokerages, and related activities	\$19.6
Insurance carriers, except direct life	\$14.6
Monetary authorities and depository credit intermediation	\$13.3
Electric power transmission and distribution	\$10.6
Employment services	\$8.4
Rail transportation	\$7.5
Limited-service restaurants	\$7.1
Plastics bottle manufacturing	\$7.0
Non-depository credit intermediation and related activities	\$6.8

Source: IMPLAN online platform. Elaboration: J. Oyakawa.

The most impacted industry by distillers is the distilleries industry itself with close to \$1,282.8 million, followed by wholesale trade of nondurables (\$108.9 million), wholesale trade of machinery (\$44.4 million), other real estate (\$28.9 million), and glass container manufacturing (\$28.3 million). Next is truck transportation (\$28.2 million), followed by owner-occupied dwellings impact (\$22.4 million), this industry represents how much homeowners spent on maintenance and repair of their homes. Also impacted were wineries (\$23.9 million), marketing related services (\$21.3 million), and insurance agencies and brokers (\$19.6 million), insurance carriers (\$14.6 million), among others.

⁵ Taken from IMPLAN website: <https://implanhelp.zendesk.com/hc/en-us/articles/115009668388-Output>

Total Employment

Total employment contributions can also give a better understanding of the industry effects.

Employment: Industries Impacted by Distillers in 2020 (Total Contributions)	Total Contributions Employment
Distilleries	1,321
Wholesale - Other nondurable goods merchant wholesalers	360
Truck transportation	188
Wholesale - Machinery, equipment, and supplies	151
Other real estate	147
Management of companies and enterprises	97
Full-service restaurants	93
Limited-service restaurants	88
Employment services	84
Wineries	78
Glass container manufacturing	76
Insurance agencies, brokerages, and related activities	76
Couriers and messengers	66
Marketing related industries	66
Warehousing and storage	53
Services to buildings	46
Monetary authorities and depository credit intermediation	46

Source: IMPLAN online platform. Elaboration: J. Oyakawa

Similar to the output contributions, the most affected industry is distilleries with 1,321 jobs supported, followed by wholesale trade for nondurables (360 jobs), truck transportation (188 jobs), and wholesale trade for machinery (151 jobs). Those industries were followed by other real estates (147 jobs), management of companies (97 jobs), full- (93 jobs) and limited-service (88 jobs) restaurants, employment services (84 jobs), wineries (78 jobs), glass container manufacturing (76 jobs), insurance (76 jobs), couriers and messengers (66 jobs), and marketing-related industries (66 jobs), among others.

Total Gross State Product or Value Added

Total gross state product (GSP) is the market value of goods and services produced within the area of analysis, in this case, the State of Texas. It is the regional equivalent to the gross domestic product (GDP) definition for a country.

The concept of GDP is similar to value-added: “Value Added is the sum of Employee Compensation, Proprietor Income, Other Property Income, and Taxes on Production and Imports minus Subsidies (TOPI). Value-Added + Intermediate Expenditures = Output.”⁶

Gross State Product: Industries Impacted by Distillers in 2020 (Total Contributions). In Millions of Dollars	Total Contributions Gross State Product
Distilleries	\$565.6
Wholesale - Other nondurable goods merchant wholesalers	\$61.6
Wholesale - Machinery, equipment, and supplies	\$27.8
Owner-occupied dwellings	\$17.3
Glass container manufacturing	\$13.3
Management of companies and enterprises	\$11.9
Other real estate	\$11.9
Truck transportation	\$11.9
Marketing related industries	\$10.7
Monetary authorities and depository credit intermediation	\$7.7
Insurance agencies, brokerages, and related activities	\$7.4
Insurance carriers, except direct life	\$6.0
Employment services	\$5.8
Tenant-occupied housing	\$5.1
Accounting, tax preparation, bookkeeping, and payroll services	\$4.8
Electric power transmission and distribution	\$4.7
Legal services	\$4.7
Nondepository credit intermediation and related activities	\$4.0

Source: IMPLAN online platform. Elaboration: J. Oyakawa.

From the GSP total contributions, the most affected industry is distilleries itself with close to \$565.6 million, followed by wholesale trade for nondurables (\$61.6 million), wholesale for machinery (\$27.8 million), Owner-occupied dwellings (\$17.3 million), glass container manufacturing (\$13.3 million), management of companies and enterprises (\$11.9 million), other real estate agents (\$11.9 million), truck transportation (\$11.9 million), and marketing and advertisement (\$10.7 million). Then, monetary authorities (\$7.7 million), and insurance (\$7.4 million), along with others.

⁶ Taken from IMPLAN website at: <https://implanhelp.zendesk.com/hc/en-us/articles/115009498847-Value-Added>

Supply Chain

From a supplier perspective, the indirect contributions are relevant (the induced effects add the expenditures of workers on food and entertainment to those contributions, but they are not required from a supply chain point of view), as they show the intermediate demand of goods and services needed for the distillers' production.

From the indirect output contributions, some of the top suppliers' are the two groups of wholesalers (NAICS 424820). They are followed by glass container manufacturing (NAICS 327213), truck transportation (NAICS 484), other real estate rental leasing (NAICS 5311), management of companies and enterprises (NAICS 5511), marketing and advertising (various NAICS), insurance agencies (NAICS 5242), wineries (NAICS 312130), among others. The group marketing and advertising includes several industries: advertising and public relations, photographic services, marketing research; part of the management consulting services, internet publishing and web search portals, news syndicates, radio and television; newspapers, and other periodical publishers.

Output: Industries Suppliers for Distillers in 2020 (Only Indirect Contributions). In Millions of Dollars	Indirect Contribution Output
Wholesale - Other nondurable goods merchant wholesalers	\$106.7
Wholesale - Machinery, equipment, and supplies	\$44.0
Glass container manufacturing	\$28.3
Truck transportation	\$26.0
Other real estate	\$20.4
Management of companies and enterprises	\$17.6
Marketing related industries	\$16.5
Insurance agencies, brokerages, and related activities	\$14.6
Wineries	\$13.0
Electric power transmission and distribution	\$7.8
Monetary authorities and depository credit intermediation	\$7.5
Rail transportation	\$7.2
Plastics bottle manufacturing	\$7.0
Insurance carriers, except direct life	\$6.8
Paperboard container manufacturing	\$6.3
Machine shops	\$5.9
Metal mining services	\$5.9
Employment services	\$5.6
Grain farming	\$5.5
Petroleum refineries	\$4.8

Source: IMPLAN online platform. Elaboration: J. Oyakawa.

As shown in the Appendix, local suppliers satisfy a significant portion of the distillers' intermediate demands. As for wholesale traders for other nondurable goods, 86.9 percent of the \$106.7 million demanded by distillers comes from local suppliers.⁷ With truck transportation, 98.9 percent of the \$26.0 million required stems from local suppliers. In reference to grain farming, 30.6 percent of the \$5.5 million demanded originates from local suppliers.

From the indirect employment effects, similar to the output contributions, the most important supplier is wholesale trade for nondurables (353 indirect jobs), followed by truck transportation (174 indirect jobs) and the other wholesale industry for machinery (150 jobs). After those, other real estates (104 jobs), management of companies (84 jobs), glass container manufacturing (76 jobs), marketing and advertising (75 jobs), employment services (56 jobs), couriers and messengers (56 jobs), and insurance (56 jobs), among others.

Employment: Industries Suppliers for Distillers 2020 (Indirect Contributions Only)	Indirect Contributions Employment
Wholesale - Other nondurable goods merchant wholesalers	353
Truck transportation	174
Wholesale - Machinery, equipment, and supplies	150
Other real estate	104
Management of companies and enterprises	84
Glass container manufacturing	76
Marketing related industries	75
Insurance agencies, brokerages, and related activities	56
Couriers and messengers	56
Employment services	56
Wineries	41
Warehousing and storage	40
Support activities for agriculture and forestry	38
Grain farming	37
Services to buildings	36
Machine shops	35
Scenic and sightseeing transportation and support activities for transportation	34
Accounting, tax preparation, bookkeeping, and payroll services	31
Full-service restaurants	31
Management consulting services	28

Source: IMPLAN online platform. Elaboration: J. Oyakawa

⁷ Based on IMPLAN database for Regional Purchase Coefficients.

Taxes

The TABC provides information on monthly gross excise tax collections ⁸ for several years. In FY2020, distilled spirits' annual tax collections were **\$108.9 million** (including imported spirits), beer tax collections were \$108.4 million, and taxes collected from wine were \$17.3 million. In percentages, distilled spirits accounted for 43.7 percent of total collections of excise taxes (an increase when compared to 40.3 percent in 2017), while beer amounted to 43.5 percent. The combined total amounted **\$249.3 million**.

In FY2020, **Texas collected \$1.2 billion in alcoholic beverage taxes.** ⁹ As mentioned, close to \$249.3 million were collected from excise taxes (including imports), while \$968.6 million were obtained from Mixed Beverage Taxes (from both *gross receipts* and *sales* taxes) in the same fiscal year. Approximately, 56 percent of this amount corresponds to distilled spirits, that is, **\$542.4 million were collected from Mixed Beverage Taxes on distilled spirits.**

Mixed Beverage Taxes, FY 2020 (millions of dollars)	
Mixed Beverage Taxes (6.7% of gross receipts, and 8.25% of sales price state share only)	\$769.9
Mixed Beverage Tax (County and City Shares)	\$198.8
Total Mixed Beverage Tax	\$968.6

Sources: TABC. ¹⁰

In 2020, TABC data show that close to 37.0 million of distilled spirit gallons were bottled, or sold to wholesalers or exported. This amount generated close to **\$383.8 million** in federal excise taxes.

In 2020, nearly 10 percent of the distillers' output is distributed in Texas, they exported the rest out of the state. Using this percentage to total gallons bottled in 2020, there were 3.7 million gallons for distribution in Texas. ¹¹

In the same year, mixed beverage taxes (for both sales and gross receipts taxes) were levied on 46.8 million gallons distributed in Texas (this includes local and non-local distillers). ¹² Then, the number of gallons produced for distribution in Texas represents 7.9 percent of total gallons affected by mixed beverage taxes.

⁸ Communication with DISCUS economic studies Director.

⁹ A field guide to Taxes of Texas by Glenn Hegar.

¹⁰ Communication with DISCUS economic studies Director.

¹¹ Based on IMPLAN data using calendar year 2020 and TABC calendar year 2020 data.

¹² Using TABC 2020 calendar year data.

Therefore, out of the \$968.6 million, **mixed beverage taxes** collected in FY2020, around \$542.4 million were collected from distilled spirits, and close to **\$42.9 million** correspond to Texas distillers production (7.9 percent of the distilled spirits taxes).

In a similar way, applying the 7.9 percent of mixed beverages produced by state distillers, out of the \$108.9 million in spirits gallonage excise taxes collected by the state in FY2020, close to **\$8.6 million correspond to locally made spirits**

Based on survey information for the current study, on IMPLAN's database and historical data from official agencies, it is estimated that almost ten percent of the direct payroll of \$100.2 million from Texan distillers generated **\$9.7 million** in payroll taxes a year.

Similarly, based on survey information, it is estimated that close to 0.32 percent of the direct output of \$1,282.75 million was paid in the form of property taxes, thereby expecting that Texas distilleries pay **\$4.1 million** in property taxes.

Summary Taxes Related to Distillers' Activities, 2020	
Type of Tax	Amount in Millions of Dollars
Federal Excise Tax	\$383.8
State Excise Tax*	\$8.6
Payroll Tax	\$9.7
Property Tax	\$4.1
Package Retail Sales Tax	\$0.2
Licenses and fees	\$0.6
Mixed Beverage Sales Tax (on-premise)	\$0.5
Mixed Beverage Gross Receipts Tax (on-premise)	\$0.4
Mixed Beverage Sales and Gross Receipts from Texas distillers	\$42.9
Other Taxes Related to Distillers' Activities	
Mixed Beverage Sales and Gross Receipts State share	\$769.9
Mixed Beverage Sales and Gross Receipts Cities and Counties share	\$198.8

*Using the 7.9 percent of mixed beverage produced by state distillers with the \$108.9 million of spirits excise taxes collected by the state.

Source: Survey responses, TABC annual report, IMPLAN, Texas General Historic Revenues and Mixed Beverage Taxes, Allocation Historical Summary. Elaboration: J. Oyakawa

In addition, another 0.05 percent, or over **\$607,450**, was paid in the form of licenses and fees. Additionally, **\$175,570** or close to 0.01 percent was paid in the form of package retail tax.

The study estimated, based on Texas Comptroller's data, that distillers paid for **on-premise sales** in the form of **mixed beverages sales tax** the amount of almost **\$481,450**, and for **mixed beverage gross receipts tax** the amount of **\$391,000**.

Appendix: Local Suppliers

The following table shows a selected list of the Regional Purchase Coefficients (RPC), based on IMPLAN, for the suppliers of commodities and services in the distillers' supply chain.

The RPC indicates the percentage of the distillers' demand for goods and services that is satisfied by local producers.

Selected Percentages of Intermediate Demand Satisfied by Local Suppliers		
Commodity or Service	Output In millions	Regional Purchase Coefficient (%)
Wholesale - Other nondurable goods merchant wholesalers	\$106.7	86.9%
Management of companies and enterprises	\$17.6	69.5%
Glass containers manufacturing	\$28.3	42.8%
Truck transportation	\$26.0	98.9%
Insurance agencies	\$14.6	95.2%
Other real estate	\$20.4	89.1%
Grains	\$5.5	30.6%
Paperboard containers manufacturing	\$6.3	57.6%

Source: IMPLAN, 2019 database.

Regarding wholesale traders for nondurables, close to 86.9 percent of the \$106.7 million demanded by distillers comes from local suppliers. With respect to truck transportation, 98.9 percent of the \$26.0 million required comes from local suppliers. As for grain farming, 30.6 percent of the \$5.5 million demanded comes from local suppliers.

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