



CAWG Opposes a Proposed 640% Excise Tax Increase because of Impact to Growers!

Economic challenges of historic proportions are forcing California to seek every means possible to fill budget gaps by generating new revenues. One proposal that continuously comes up for consideration is an increase in the excise tax for wine, beer and alcoholic beverages – the so called “nickel a drink” tax.

A mild sounding 5 cent increase in the price of a drink ignores the reality of the increase being levied at the supply level and its impact to grape growers. The tax disproportionately trickles down to the grower level and increases continually as wine moves through the supply and distribution chain until it reaches the consumer. A “nickel a drink” is actually a **640% excise tax increase** and **equates to \$217.60 per ton of grapes!** This would have a direct impact on California’s winegrape growers, the foundation of the wine industry. Here’s a breakdown of what a nickel a drink *really* means.

- The current excise tax on a gallon of wine is **\$.20**.
- There are approximately **25.6 drinks** in a gallon of wine.
- A nickel per drink increase would equal an **additional \$1.28** in tax per gallon.
- Adding the proposed increase to the existing tax equals a new **total tax of \$1.48/gallon**.
- The nickel a drink proposal equals a **640% increase**.

This is merely the wine impact of the tax increase, but it’s not the end of the story! If we trace the tax increase back to growers the numbers are even more astonishing!

- **One ton** of grapes makes approximately **170** gallons of wine.
- 170 gallons multiplied by \$1.28 proposed tax increase per gallon (a nickel a drink) equals a **\$217.60 per ton tax increase**.
- Adding this increase to the already **existing tax of \$34.00** in excise tax per ton of grapes (\$.20/gallon x 170 gallons/ton) equals a **total tax of \$251.60 per ton of winegrapes**.
- According to the *Crush Report* published by the California Department of Food and Agriculture the statewide average price paid for a ton of grapes in 2007 was \$564.84.
- The Central Valley counties of Madera, Fresno, Tulare and Kern (Crush Districts 13 and 14) grow approximately **40% of the state’s winegrape tonnage**. The average 2007 winegrape price per ton in **this region was \$226.13**.
- The proposed increase in the excise tax added to the existing tax would equal \$251.60, more than **\$25 above the average value of a ton of grapes grown in this region**.

Talking points:

- California’s signature wine industry has a \$51.8 billion impact on the state’s economy. The state should support programs to encourage the purchase of California grown ag products like winegrapes for economic and environmental benefits.
- A 640% excise tax increase puts California at a competitive disadvantage with low cost foreign wine industries that enjoy government subsidies. The proposed increase makes the cost of the tax more than the price of the grapes used to make everyday table wines priced under \$7 per 750 ml bottle. We can expect more sourcing of cheaper foreign bulk wine to fill the fast growing demand for this value wine category.
- Vineyards are an important part of the state’s rural landscape generating a large permanent property tax base and maintaining the land in agricultural production. A 640% tax increase will lessen the demand for California winegrapes and decrease the number of vineyards.