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## **Beam Inc. donates to Kentucky politicians who support bourbon**

by AUBREY PRINGLE  
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Like any company, Beam Inc. has certain political interests. The Deerfield-based parent of global bourbon brands like Jim Beam and Makers Mark, along with dozens of other tequila, vodka and rum products, would like to see alcohol taxes reduced and trade barriers lowered.

To make such things happen, Beam has its own political action committee, known as a PAC.

“BeamPAC pools voluntary contributions from Beam employees and supports candidates for public office – from both political parties – who support policies that align with our business priorities,” Clarkson Hine, Beam’s senior vice president of communications, said in an email.

Beam’s PAC tends to lean slightly right in its donations, however, perhaps because Republicans are more likely to vote in favor of free trade agreements and lower taxes for businesses. But the clearer pattern in Beam PAC giving patterns is location.

The Beam PAC throws a disproportionate amount of its money toward politicians from Kentucky. According to the Center for Responsive Politics, five out of the 19 federal candidates to whom the PAC gave money in 2012 were Kentucky Republicans. That’s 26 percent.

Sen. Mitch McConnell, the Senate minority leader since 2007, is one Kentucky Republican that received money in 2012. The PAC also gave to two Kentucky Democrats – Ben Chandler and John Yarmuth.

In terms of amounts, the Beam PAC sent \$24,000 – or 57 percent – of its federal candidate budget to Kentucky politicians.

The connection is clear: Kentucky politicians want to see the bourbon industry succeed. Even though bourbon can technically be made in all 50 states – all you need are fresh charred oak barrels and two years of waiting time – 95 percent of the world’s bourbon is produced in Kentucky.

Kentucky bourbon’s 200-year history led to the creation of the bourbon trail in 1999 to promote the state’s world-renown distillers. The trail attracts more than 500,000 visitors annually. Stop number three? Why, Jim Beam, of course. And four? Makers Mark.

But bourbon is more than just a point of pride – it is a crucial part of the state’s economy. According to U.S. government data, distilled spirits generate at least \$3 billion of the gross state product and employs more than 43,000 Kentuckians. So Kentucky politicians have a lot of skin in the game when it comes to the bourbon industry.

Of course, Beam is not the only alcohol company that makes political contributions. California wine companies donate heavily to federal-level Democrats; the GOP gets support from beer companies such as Molson Coors Brewing.

In Kentucky, though, bourbon is such a big deal that state representatives took it upon themselves to create the Congressional Bourbon Caucus. Formed in 2009 by two Kentucky Congressmen – Republican Brett Guthrie and Democrat John Yarmuth – the CBC aims to strengthen the bourbon industry in the U.S.

“The bourbon industry is a vital part of the commonwealth’s heritage that provides thousands of jobs, and this bipartisan caucus will ensure that the industry’s impact is valued,” Congressman Guthrie said in a press release announcing the new caucus.

Three more Kentucky reps – Ben Chandler, Geoff Davis, and Ed Whitfield – were inaugural members of the CBC. All three received support from Beam in 2012.

Bourbon Caucus founders Yarmuth and Guthrie did too. Beam has been openly supportive of the caucus since the beginning and continues that tradition today.

Of all the politicians on the PAC's list, Guthrie got the most. It gave him \$7,000. And it is easy to see why – his 2nd District is home to almost half of the state's distilleries. Just like Beam, he wants the bourbon industry to flourish.

One issue that matters to Beam – and any alcohol company – is taxes on alcohol. In the U.S., hard alcohol is one of the highest taxed consumer items, and there is constant debate over whether the tax ought to be raised or lowered.

Sarah Mart, director of research at Alcohol Justice, an industry watchdog group, said raising the alcohol tax is one of the organization's most prominent objectives.

"We are concerned with the amount of harm caused by alcohol and the cost of that," Mart said. "The most effective policy is increasing alcohol prices, which in the U.S. for the most part means increasing alcohol taxes and fees."

The alcohol industry takes another view. The Distilled Spirited Council of the United States, an alcohol industry trade organization of which Beam is a member, opposes all alcohol and hospitality tax increases. Beam Inc. is a member of the organization.

"The federal excise tax rate on distilled spirits is almost three times the rate on table wine and two times the rate on beer," the Distilled Spirits Council wrote in a release. "Raising alcohol taxes simply penalizes more than 100 million responsible beverage alcohol consumers, while doing nothing to deter abusers."

Those who want to increase the alcohol tax often argue that it is a good way to raise government funds. But according to the American Beverage Institute, the last time the federal excise tax on liquor, beer and wine was raised in 1991, it generated \$2.4 billion less than Congress had anticipated during the succeeding five-year period.

When a Chicagoan buys Makers Mark from a bar, more than 40 percent of the drink's price comes from the combination of federal, state and local excise taxes. The Illinois excise tax on liquor is \$8.55 per gallon, which is the 14th highest of all 50 states. The City of Chicago's tax base on liquor containing 20 percent alcohol or more adds on another \$2.68 per gallon. Makers Mark has an alcohol content of 45 percent.

To make its own splash on the alcohol tax issue, Beam's PAC donates to politicians who are active in determining federal taxation legislation. For example, the PAC gave to four congressmen who sit on the Ways and Means Committee, the chief tax-writing arm of the House of Representatives.

Beam's PAC also donated to the committee's chairman, Dave Camp, a Republican from Michigan who is active in reforming the tax code for individuals as well as corporations.

In addition, Beam invests in politicians who sit on committees related to health and nutrition, labor, consumer rights, food and drug regulation, and trade. Rep. Guthrie, for instance, has a history of voting in favor of free trade and reduced tariffs.

As a global spirits company, trade is a major issue for Beam. Removing barriers to trade makes it easier for Beam to sell its product in other countries.

The Trans Pacific Partnership Agreement is a free trade agreement currently being negotiated between the U.S. and a list of countries in Asia, South America, and the South Pacific. In Chile, one of the countries considering the agreement, the current tax on imported alcoholic beverages can reach 27 percent.

The Distilled Spirits Council is in favor of the agreement because it would open up new markets for U.S. spirits exporters. Industry watchdogs, however, worry that if alcohol is included in the agreement, current regulatory controls will be undermined.

"Tariffs, taxes or fees, any type of charge imposed by a country on an alcoholic product could potentially disappear or be reduced, any of which stands to really impact the price and potential harm," Mart said.

If prices go down, consumption will likely go up, Mart explained. She referenced the North American Free Trade Agreement, passed in 1994, which eliminated the U.S. tariff on brandy.

“The whole point with these agreements is to make it as easy as possible for countries to export and sell their products,” Mart said.

Bruce Lee Livingston, executive director of Alcohol Justice, wrote a letter to Ron Kirk, the U.S. trade representative, urging him to make sure alcohol products are excluded from the trans-Pacific Agreement.

“If alcohol is included in the TPP agreement, international corporations will be able to further erode alcohol controls intended to empower American communities and protect public safety and health,” Livingston said. “Public health concerns must take priority over commercial interests.”

The next round of trade negotiations is set to take place in Lima May 15-24.

