

live in the proverbial glass house of ridiculous laws enacted under "dry" compulsion, we should act with restraint when someone suggests the throwing of stones at the house of another.

(i) *U.S. wine gallon-proof gallon method of assessing tax on distilled spirits operates as a monstrous barrier to imported spirits*

On page 10 of its statement, the Bourbon Institute defends the notorious wine gallon-proof gallon method of taxing distilled spirits. How it can defend this monstrous barrier to imports of bottled distilled spirits while it assails far lesser barriers on the books of foreign lands provides a glowing example of inconsistency, sheer, stark, and simple.

Consider, if you please, the following pertinent facts, historical and statistical, of this wine gallon-proof gallon trade barrier:

Whereas domestic distillers are permitted to remove their products from bond at 100 proof and to pay the tax thereon at the rate of \$10.50 per gallon, the importer who brings in bottled Scotch or Canadian at 86 proof, as is preferred by consumers and as is customary, must pay the tax on a wine gallon basis. Accordingly, on a bottled import at 86 proof, the *importer* pays both tax and duty on that 14% of the contents which is the water added to reduce the proof from 100 to 86.

This adds up to a tax penalty against bottled imports of Scotch and Canadian at 86 proof amounting to \$1.47 per gallon. The following table illustrates the advantages accruing to domestic whiskey under the discriminatory operation of the present law in comparison with imported bottled spirits. The table refers to a gallon of bottled Scotch, Canadian and Bourbon, respectively, all at 86 proof.

	Tax and import duty	Discrimination favoring bourbon	
		In dollars and cents	Percentage-wise
Scotch.....	\$10.50 plus \$0.91 equals \$11.41.....	\$2.38	26
Canadian.....	\$10.50 plus \$1.12 equals \$11.63.....	2.60	29
Bourbon.....	\$9.03 plus 0 equals \$9.03.....		

The history of this measure reveals that until July 21, 1868, the internal revenue tax on distilled spirits was payable on the proof gallon basis only, but on and after that date internal revenue tax was made collectible on the *wine gallon when below proof* to prevent frauds upon the revenue, resulting from the surreptitiously withdrawal of whiskey from barrels in warehouses and the substitution of water by dishonest domestic producers in connivance with dishonest government officials.¹ This punitive and corrective measure was adopted solely because of frauds relating to *domestic distilled spirits, not imports*.

The internal revenue tax was not imposed on imported distilled spirits until October 3, 1917, when the "War Revenue Act of 1917" (40 Stat. 308) took effect. Because of the clause "wine gallon when below proof", imported spirits are burdened with a punitive measure never intended for them. National prohibition became effective in 1920, and the import duty was increased at that time from \$2.60 to \$5.00 per gallon as a prohibition measure.

5. BOURBON PRODUCERS ENJOY GOOD ECONOMIC HEALTH

We are pleased by the many clear indications that Bourbon producers are enjoying good economic health. According to the July 1st issue of *Beverage Retailer Weekly*, "Sales of Bourbon, America's largest selling distilled spirit, continued to rise during the first quarter of 1968. . . . Scotch Whisky, the leading imported distilled spirit, . . . showed a decline. . . ."

The *Bourbon Newsletter* published in April, 1968 by the Bourbon Institute indicates a most rosy picture, as contrasted with political pronouncements calling for the necessity of action against imported distilled spirits. The lead article here says, "Both sales and production of Bourbon, the most popular distilled spirit in the United States, rose to unprecedented height in 1967 . . . the new production figures are a tangible reflection of the optimistic outlook for the future held by the members of this industry. Ever since Bourbon moved into first place in popularity a few years ago, it has been increasing

¹ See House Report No. 24, Second Session, 40th Congress, dated March 12, 1868; "Whiskey Frauds from the Committee on Retrenchment."