



June 13, 2019

The Honorable Pat Roberts

The Honorable Robert Menendez

The Honorable Steve Daines

The Honorable Maggie Hassan

Dear Senators:

We want to thank you, Chairman Grassley and Ranking Member Wyden for undertaking a bipartisan examination of temporary tax provisions that have expired or will expire by December 31, 2019. As representatives of America's winemakers, brewers, distillers, cideries and beverage importers, we are in full agreement that the extension of tax incentives designed to stimulate job growth and investment must be dealt with ahead of their expiration dates or they will not continue to function as originally intended.

These are precisely the circumstances both small and large beverage alcohol producers now face with respect to the Craft Beverage Modernization and Tax Reform Act (CBMTRA), which was enacted as a two-year provision of the Tax Cuts and Jobs Act of 2017. It is scheduled to expire at the end of 2019. We are grateful that each of the senators co-chairing this Task Force, is a cosponsor of S. 362, the Wyden-Blunt bill to make CBMTRA permanent. It's also remarkable that 60 of your Senate colleagues have already joined in cosponsoring as well.

We would like to address several key questions about these craft beverage provisions recently raised by staff assisting the Task Force on Individual, Excise & Other Expiring Policies.

**Original Purpose.** The CBMTRA was principally designed to reduce the extraordinarily high federal excise taxes (FET) paid by all alcohol producers and importers. The tax reduction was geared to provide the most relief at relatively low levels of production as a way of generating extra funds for investment in new capacity, local tourist facilities and jobs. The tax cuts, together with modernized regulations, have unquestionably contributed to the growth and competitiveness of distillers, brewers, vintners and cider makers of all sizes.

**Unintended Consequences.** There were unanticipated difficulties with the implementation of the new FET rules as they apply to beverage importers, but these obstacles have been overcome through close collaboration between the U.S. Treasury's Alcohol Tax and Trade Bureau (TTB), Customs and Border Patrol officials and industry participants. A system was devised to enable the agencies to verify the identity and business activity of importers with much greater certainty than existed under previous systems.

An additional unintended consequence of the act is directly attributable to the temporary nature of the tax provision itself. Instead of aggressively moving forward with expansion plans as they did in Year One, producers are now unsure if the FET cuts will be made

permanent in Year Two, or if they will be allowed to expire, causing huge tax increases instead. The jobs that have already been gained, as well as the supply contracts with local farmers, can manufacturers and glass bottle plants, are hanging in the balance.

**The Case for Extension or Permanence.** Beverage alcohol FET was, and still is, one of the highest consumer goods taxes in America. The modest reduction resulting from enactment of CMBTRA has succeeded in energizing economic activity in the industry, right down to the local level in virtually every state. Brewers have expanded production and enhanced their taprooms; spirits makers are buying new stills and expanding purchases of locally-grown grains; wineries are opening tourist facilities that boost the local employment; and cider makers are innovating and bringing new products to market. While the official revenue estimate for 2018 was \$1.6 billion, the actual revenue cost came in at a much more modest \$532 million according to TTB tax collection records. We believe this tax incentive is doing exactly what it was designed to do at a cost far less expensive than expected.

Thank you for soliciting our views and supporting our bill. Please contact any of the organizations endorsing this letter for further information about the impact of extending the craft beverage tax act in your state.

Best regards,

American Craft Spirits Association  
Beer Institute  
Brewers Association  
Distilled Spirits Council of the United States  
WineAmerica  
Wine Institute  
United States Association of Cider Makers