

Booze Industry Asks Congress to Keep ‘Lifblood’ Tax Break

- Lower rates from 2017 tax law expire at end of this year
- Industry will keep ‘banging the drum’ for an extension

By Megan R. Wilson | September 13, 2019 12:46PM ET

The alcohol industry is trying to boost spirits on Capitol Hill, urging lawmakers to extend what they say has been an enormously beneficial tax cut that expires at the end of the year.

The 2017 tax-overhaul law ([Public Law 115-97](#)) slashed excise rates for wine, beer and spirits — largely a result of the industries putting aside their differences and banding together to get Congress to lower rates. Now, they’ve got to do it all over again before those rates sunset on Dec. 31.

“This is by far and away our number one federal priority for 2018 and 2019, and it will be in 2020 if it doesn’t get extended or made permanent,” said Bob Pease, the head of the Brewers Association, which represents small and independent beermakers.

In addition to his group, trade associations including the Beer Institute, the Distilled Spirits Council of the U.S. (DISCUS), the American Craft Spirits Association, the Wine Institute and WineAmerica have been working with Congress, holding hundreds of meetings with policymakers and staff this year.

The House Ways and Means Committee advanced a bill ([H.R. 3301](#)) that would extend the excise tax rates through Dec. 31, 2020. Industry officials say they would accept a one-year extension, but they warn such a short period would create uncertainty for their members. Trade groups want at least a two-year extension, though making the cuts permanent is a key goal.

Bipartisan majorities in both chambers have signed on to bills that would permanently extend the tax breaks, as of Sept. 12, 282 House members have signed on to [H.R. 1175](#) and 70 senators are supporting the companion measure ([S. 362](#)).

“You’re getting to consensus territory here,” said Beer Institute chief executive Jim McGreevy, while drinking a hard seltzer.

While the Senate Finance Committee hasn’t considered legislation, [a task force](#) created by the panel to evaluate the various tax extenders recommended permanency for the lowered excise tax rates. All four members on the panel, Sens. [Pat Roberts](#) (R-Kan.), [Robert Menendez](#) (D-N.J.), [Steve Daines](#) (R-Mont.) and [Maggie Hassan](#) (D-N.H.) co-sponsored the bill that would the extend alcohol rates.

Lifeblood for Industry

Chris Swonger, who leads DISCUS, said that the reduced rates have been a “lifeblood” for the group’s smaller members. Before the 2017 tax bill, all spirits were taxed at a rate of \$13.50 per proof gallon, but now the rates are tiered based on how much a distillery produces. For instance, the first 100,000 proof gallons has an excise tax rate of \$2.70 per proof gallon. Larger distillers still have to pay an amount at or near the old rate. A proof gallon is equal to one gallon of a spirit that is 100 proof, or 50% alcohol.

DISCUS spent \$2.2 million on lobbying in the first half of 2019, while the Beer Institute, shelled out \$1.3 million. Those figures don’t include lobbying by individual members — MillerCoors, LLC, for instance, spent \$1.7 million on lobbying in the first half of this year.

Leaders in both chambers have a particularly strong interest in the health of the booze industry: Speaker [Nancy Pelosi](#)’s (D-Calif.) district is near wine country in California. Senate Majority Leader Mitch McConnell (R-Ky.), represents one of the most lucrative whiskey-producing states in the country.

Michael Kaiser, a vice president at WineAmerica, said the rest of this month will be largely dedicated to securing the handful of members who have not signed on to support the extension, in addition to finding the right legislative vehicle. Small winemakers receive excise tax credits, rather than paying a certain rate. The 2017 law expanded those credits to all wineries and created a tiered system for calculating them.

Pease, who is based in Colorado, says that having brewers court lawmakers in their districts, rather than their offices, has been making a difference in swaying lawmakers.

“When you get a member of Congress to go and visit a small independent brewery, you can see a transformation take place where the message shifts from beer and alcohol to job creation, economic impact and a positive contribution to the local community,” he said. Brewers that produce fewer than two million barrels of beer annually had their excise tax rates cut in half, to \$3.50, for the first 60,000 barrels they produce. Rates for larger producers were also cut.

Public health groups have warned that decreasing the price of alcohol increases consumption, which leads to increases in crime, underage drinking and impaired driving.

“As lawmakers are considering this, they need to look at what the societal costs are, and how much of a financial burden alcohol is to the taxpayers,” said J.T. Griffin, the chief government affairs officer at Mothers Against Drunk Driving. “Is it worth it?”

He points to [data](#) from the Centers for Disease Control and Prevention showing that alcohol-related car accidents cost more than \$44 billion annually.

Trade War Ups Urgency

The push for the breaks comes as the White House’s trade policies have had a sobering effect on the alcohol industry. Since the European Union slapped retaliatory tariffs on certain U.S. products last summer, U.S. whiskey exports to the European Union — the industry’s largest market — declined by 21% through May 2019, according to DISCUS.

Additionally, about half of beverages made by beer companies come packaged in an aluminum can or bottle. The steep tariffs imposed on aluminum has negated the effect of the tax break, McGreevy says, making an extension even more crucial for beermakers.

“Over the next couple of months, we’re going to keep banging the drum and making sure this is top of mind because there’s no other option, we have to get it done,” Swonger said.

With assistance from Sarah Babbage