



May 13, 2020

## CALIFORNIA CONGRESSIONAL DELEGATION

Dear Members of Congress:

On behalf of California distilleries, we greatly appreciate Congress's support of economic relief programs to help distilleries across our state that are being severely impacted by the crisis brought on by the novel Coronavirus (COVID-19). The distilled spirits industry in California had been steadily growing prior to COVID-19: In 2018, the distilled spirits industry supported over \$15.1 billion in economic activity and over 142,000 jobs across the state. California is home to more distilleries than any other state in the country. Now, we urge Congress to act swiftly to enact further measures that provide liquidity and certainty to distillers who have seen sudden and steep declines in sales with the closure of stores in certain areas and travel-related outlets, restaurants, bars, and tasting rooms.

As a result, many distilleries in California have been forced to furlough or lay off employees, halt production, and stop the flow of commerce in this heavily interconnected supply stream-driven industry. Absent additional relief, some distilleries soon may be faced with the tough decision to permanently close their doors, thus also impacting their farmer suppliers and other partners throughout the hospitality, tourism, and manufacturing industries. We are proud that over 67 small, medium and large distilleries across California are also doing their part to prevent the spread of COVID-19 by transitioning to produce hand sanitizer, but this alone will not save the industry. Distilleries will continue to need the help and support of Congress for months to come. Thus, as negotiations on further economic relief progress, we urge Congress to:

### ***Provide Federal Excise Tax Relief.***

- Defer federal excise taxes (FET) on domestic and imported spirits products, which are paid by the American importer, and waive interest on late payments, effective from January 1, 2020 through December 31, 2020. We greatly appreciate the efforts by the Alcohol and Tobacco Tax and Trade Bureau to temporarily waive payments on FET owed on domestic product and urge the Department of Treasury to immediately provide further relief for both domestic and imported product. This action is crucial to allowing producers to dedicate scarce resources to payroll and other operating costs.
- Enact the Craft Beverage Modernization and Tax Reform Act (H.R. 1175/ S. 362). This legislation to make the current FET rates permanent has broad bipartisan support with 73 Senate cosponsors and 342 House cosponsors. Many

distilleries fear that a return to “normal” operations will be closely followed by a scheduled tax increase at the end of the year, creating further financial turmoil. Making this bill permanent is important to providing certainty to distillers as they plan for the rest of 2020 and beyond.

***Seek the Suspension of Tariffs on Distilled Spirits.***

- De-escalate the trade dispute with the European Union (EU) by urging the simultaneous removal of the tariffs on EU and U.S. distilled spirits products. Compared to 2018, the 25% tariff the EU has had in place on American Whiskey resulted in a 27% reduction in American whiskey exports in 2019. U.S. tariffs resulting from the WTO Airbus dispute on Single-Malt Scotch Whisky, Single-Malt Irish Whiskey from Northern Ireland, and Cordials and Liqueurs from Ireland, Italy, Spain, Germany and the United Kingdom is resulting in higher costs for consumers and lost American jobs. Suspending tariffs on distilled spirits provides an opportunity for both the EU and the U.S. to support jobs on both sides of the Atlantic during this period of tremendous economic uncertainty.

***Create an Industry Stabilization Fund.***

- Develop a government-wide grant program that would prioritize the hard-hit beverage alcohol industry. A new industry stabilization fund should provide cash advances to ensure distilleries have enough receivables to pay their employees and to borrow against as well as grants with minimal procedural delay.

***Continue Robustly Funding No- and Low-Interest Loan Assistance.***

- Commit significant new resources for the Small Business Administration (SBA) to ensure business continuity for distilleries. U.S. government-guaranteed no-and low-interest loans remain critical for affected businesses, including distilleries.

The distilled spirits industry is uniquely positioned at the nexus of the hospitality, agriculture, retail, and tourism industries. The livelihoods of farmers, glass bottle makers, truck drivers, warehouse workers, and countless others connected to the hospitality and tourism industry are compromised by the challenges confronting the distilled spirits industry.

We appreciate your careful consideration of these proposals. Please do not hesitate to reach out if we can be a resource during this time.

Sincerely,



Chris Swonger  
President & CEO  
Distilled Spirits Council of the United States



Ryan Friesen  
Vice President  
California Artisanal Distillers Guild