



April 28, 2020

VIRGINIA CONGRESSIONAL DELEGATION

Dear Members of Congress:

On behalf of all Virginia distilleries, we greatly appreciate Congress's support of economic relief programs to help over 70 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 Virginia was thriving prior to COVID-19: The Virginia craft distilled spirits industry represents over 1,500 jobs and \$163 million in economic activity. 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 Virginia have been forced to furlough or lay off employees. Absent additional relief, many distilleries will be faced with the tough decision to permanently close their doors, thus also impacting their Virginia agricultural suppliers, farmers, and other auxiliary businesses throughout the hospitality and tourism industries. Many distilleries in the Commonwealth are also doing their part to prevent the spread of COVID-19 by transitioning to produce hand sanitizer, but they 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.

- Suspend 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 (S. 362/H.R. 1175). This legislation to make the current federal excise tax 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.

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.

Seek 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.

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

- Commit significant new resources for the Small Business Administration 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



Amy Ciarametaro, Executive Director
Virginia Distillers Association