



July 22, 2020

SOUTH CAROLINA CONGRESSIONAL DELEGATION

Dear Members of Congress:

On behalf of South Carolina 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 South Carolina had been thriving prior to COVID-19: In 2018, the distilled spirits industry supported over \$1.6 billion in economic activity and over 20,000 jobs across the state. 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 of the COVID-19 crisis, many distilleries in South Carolina have been forced to furlough or lay off employees. 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 others throughout the hospitality and tourism industries. Many South Carolina distilleries represent a form of agritourism and are an expression of place. For High Wire Distilling Co. in Charleston, for example, 92% of their visitors were from out-of-state last year and interested in coming to taste and learn more about what South Carolina has to offer. Many South Carolina distilleries buy all of their grain and fruit from South Carolina farms, which amounts to hundreds of thousands of pounds of raw materials each year. These are typically in the form of specialty crops, which can yield many more dollars per acre for a farmer than large commodity crops.

We are proud that over 9 small, medium and large distilleries across the state 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 (FET) relief.

- 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 74 Senate cosponsors and 346 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.

- 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.

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. Since 2018, the 25% tariff the EU has had in place on American Whiskey has resulted in a 33% reduction in American Whiskey exports to the EU. 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.

Support the RESTAURANTS Act, which creates a revitalization fund for eligible food service establishments to keep workers employed, maintain operations, and meet financial obligations.

- Authorize the Department of Treasury to provide grants to eligible food and drinking establishments for payroll, benefits, mortgage, rent, utilities, maintenance (including construction of outdoor seating), supplies (including protective equipment and cleaning materials), food, debt obligations to suppliers, and any other expenses deemed essential by the Secretary of the Treasury.

Replenish funding, reopen applications, and offer expanded flexibility for the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) Program administered by the Department of Treasury and Small Business Administration.

- Fund and approve another round of PPP and EIDL loans that would allow past borrowers to apply for a second loan. We further support added flexibility to ensure that all PPP loans spent consistent with Congressional intent are forgiven and can cover additional reopening costs to support employee and customer health and safety. Congress should give businesses the ability to use these funds to procure personal protection equipment (PPE) and COVID-19 testing as well as make PPP loans tax-deductible to eliminate additional tax liability for businesses striving to survive under current conditions.

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



Scott Blackwell
President
South Carolina Craft Distillers Guild