



August 18, 2020

WASHINGTON CONGRESSIONAL DELEGATION

Dear Members of Congress:

On behalf of Washington State 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 Washington had been thriving prior to COVID-19: In 2018, the distilled spirits industry supported over \$2.6 billion in economic activity and over 31,000 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 Washington 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. We are proud that more than 37 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, including through permanently enacting the current rates and deferring FET payments.

- 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.

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 Program (EIDL) administered by the Department of Treasury and Small Business Administration (SBA).

- 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 PPP loans 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 protective equipment (PPE) and COVID-19 test kits, as well as make PPP loans tax-deductible to eliminate additional tax liability for businesses striving to survive under current conditions.
- Many industry members halted production of distilled spirits to make hand sanitizer, desperately needed Personal Protective Equipment (PPE) for the last several months. The result is that while our members' revenue from core products (distilled spirits) declined substantially, they earned revenue from the sale of PPE. Sales looking forward for PPE are drastically reduced, removing that source of income for our members. At the same time, the market for spirits for our members has not returned to pre-COVID levels. Congress should allow small businesses who converted to make PPE on an emergency basis automatic qualification for a second round of PPP. This would recognize the sacrifice we made for our communities and the country.
- Any test of revenue declines should be substantially smaller than 50%. We believe a test of a 20% to 25% decline in revenue on pre-COVID core products or offerings will allow more small businesses in our industry to qualify.

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

Mhairi Voelsgen
President
Washington Distillers Guild