



November 23, 2020

ARIZONA CONGRESSIONAL DELEGATION

Dear Members of Congress:

On behalf of Arizona distilleries, thank you for your continued efforts to assist hardworking Americans and businesses that have been deeply affected by the ongoing COVID-19 pandemic. As integral members of the hospitality industry, Arizona distillers have been devastated by the COVID-19 pandemic. We now respectfully urge Congress to pass legislation critical to the recovery of distilleries as well as restaurants, bars, and other on-premise establishments and to continue to engage with the Administration on policies that affect our industry.

The distilled spirits industry in Arizona was thriving prior to COVID-19, but sadly is now in crisis. In 2018, the distilled spirits industry supported more than \$1.9 billion in economic activity and more than 26,000 jobs across the state as a critical partner to the state's hospitality, tourism, agriculture, and manufacturing industries. Today, because fewer Americans dine and drink outside of their homes, travel, or attend large events, distilleries across the state have lost sales at an enormous rate. We are extremely proud that more than 12 small, medium and large distilleries across Arizona did 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. Due to the impact of the pandemic, many distilleries in Arizona have been forced to furlough or lay off employees, and some are facing the hard decision of whether to close their doors permanently.

For these reasons, we urgently call upon Congress to include the **Craft Beverage Modernization and Tax Reform Act (S. 362/H.R. 1175)**, which includes a critical tax cut for craft distillers, as part of the next legislative package before the expiration of the current rates at the end of the year. The bill's broad bipartisan support representing every corner of the country – 77 bill sponsors in the Senate and 351 in the House – reflects this bill's importance to countless communities. If the current rates expire absent Congressional action, ***craft distillers in Arizona will face a 400% increase in their federal excise taxes in January 2021.*** Given the already challenging conditions, many craft distillers would be unable to sustain operations with this added tax burden and would have to close their doors permanently. The effect of this tax increase would also be felt by farmers, bottle and label makers, truck drivers, warehouse workers, and other partners throughout the supply chain, creating a ripple effect throughout the state.

We also urge Congress to passing the **RESTAURANTS Act (S. 4012/H.R. 7197)**, which would also provide critical relief for restaurants, bars, tasting rooms, and other on-premise channels that have been devastated by COVID-19. A recent Distilled Spirits Council of the United States and American Distilling Institute study revealed that craft distillers have seen 41% of their revenue disappear as tasting rooms have shuttered and restaurants and bars have struggled during the COVID-19 pandemic. This bill would provide grants to eligible establishments for payroll, benefits, mortgage,

rent, utilities, and other expenses and is a critical step forward for the recovery of the hospitality industry.

Finally, we ask Congress to urge the Administration to work with the European Union (EU) and United Kingdom (UK) to **secure the simultaneous removal of tariffs on distilled spirits products** – a move that would support jobs on both sides of the Atlantic. The EU tariffs have had a devastating impact on our American Whiskey exports, resulting in a 41 percent decline from \$757 million (July 2017 to June 2018) to \$449 million (August 2019 to July 2020). Newly announced EU tariffs on U.S. rum, brandy, vodka, and vermouth further increase trade tensions and damage transatlantic trade. During this period of tremendous economic uncertainty, it is more important than ever that Congress encourage the Administration to secure an urgent return to duty-free trade in spirits.

We appreciate your careful consideration about how Congress can help support our business and engage with the Administration on issues impacting our industry during this difficult time.

Sincerely,

Chris Swonger
President & CEO
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