



March 15, 2021

The Honorable Nydia Velazquez
U.S. House of Representatives
2302 Rayburn House Office Building
Washington, DC 20515

The Honorable Blaine Luetkemeyer
U.S. House of Representatives
2230 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Velazquez and Ranking Member Luetkemeyer:

On behalf of the Distilled Spirits Council of the United States (DISCUS) and its members, I appreciate Congress's efforts to quickly and efficiently provide economic relief through the Paycheck Protection Program (PPP) during the COVID-19 pandemic.

DISCUS is the leading trade association representing U.S. producers, marketers, exporters, and importers. There are over 2000 distilleries across the country. In 2019, the distilled spirits industry supported over 1.6 million jobs across the country. We are proud of the more than 800 distilleries across the nation who produced hand sanitizer in 2020 to meet needs in their community – with many donating it to first responders, law enforcement, and nursing homes.

However, a year into the pandemic, U.S. craft distilleries continue to face similar challenges to other businesses in the hospitality and tourism industries. As fewer Americans dine or enjoy a cocktail outside of their homes, gather for events, or travel, distilleries have seen dramatic revenue declines. According to a DISCUS/American Distilling Institute (ADI) joint survey, craft distillers reported a decline in revenue of 41% and that they have had to furlough or lay off 31% of their employees as of late last summer. Early in 2021, new DISCUS/ADI survey data revealed that 36% of craft distilleries reported a total revenue decline of 25% or more in 2020. This data points to the enduring nature of the pandemic's economic impacts on distilleries and the long road forward for many distilleries.

As Congress considers further changes to the PPP, we respectfully urge Congress to:

- ***Extend the deadline to apply for a PPP loan.*** We welcome the introduction of the PPP Extension Act. Extending the deadline to apply for a PPP loan another two months is critical for distilleries and other businesses that continue to face challenges in the wake of the COVID-19 pandemic. Urgent action is needed, as the current deadline is March 31, 2021.
- ***Expand eligibility for higher second-draw PPP loans.*** Many distilleries do not have access to the higher second-draw PPP loan amounts afforded to North American Industry Classification System (NAICS) code 72 businesses, like other cocktail lounges and drinking places (722410). NAICS code 72 businesses were



given the ability to access second-draw PPP loans at 350% monthly payroll in P.L. 116-260, whereas other industries are capped at 250% monthly payroll. Many distilleries, because they both produce and serve a product, are classified under NAICS code 312140. We urge the House Small Business to take action to consider distilleries classified under NAICS code 312140 that depend on revenue from their tasting room and in-person sales be treated like those under NAICS code 722140 for the purposes of second-draw PPP loans and SBA debt relief. Adding the Fairness for Craft Beverage Producers Act (H.R. 1035) to the PPP Extension Act would enable distilleries who depend on in-person sales to take advantage of these important relief provisions.

- ***Support maximum flexibility in considering nonpayroll costs eligible for forgiveness.*** Distilleries in many states have struggled to reopen their tasting rooms. Many distilleries have spent the past year mired in a pattern of closing and reopening depending on local orders and then went to great lengths to provide safe conditions for their guests and employees. With regard to covered supplier costs as part of nonpayroll costs, we request Congress work with the SBA consider the particulars of our industry in assessing loan forgiveness: Many distilleries that have suspended production in 2020 cancelled orders of grains or other ingredients that impact their ability to sell aged spirits in the years ahead or purchased oak barrels for aging spirits that expired before they could be filled. We urge Congress to encourage the SBA to provide maximum flexibility in considering nonpayroll costs eligible for loan forgiveness.

We thank Congress for its tireless efforts to support struggling businesses during the pandemic. As the PPP has served as an invaluable part of our industry and our nation's recovery, we urge you to strengthen it further by extending the program and providing flexibility in eligibility for second-draw PPPs and covered uses.

Sincerely,

Christine LoCascio
Chief, Public Policy
Distilled Spirits Council of the United States