September 17, 2018

Trade and Commercial Regulations Branch
Regulations and Rulings
Office of Trade
U.S. Customs and Border Protection,
90 K Street NE, 10th Floor,
Washington, DC 20229-1177

Re: USCBP-2018-0029

Dear Sir/Madam:

I am writing on behalf of the American Craft Spirits Association, the only national trade group representing the small craft producer. ACSA represents the interests of over 1,800 craft distillers located across the U.S.

Our industry is relatively new. Most of our members have started their businesses in the last decade. Craft distillers believe we are bringing back a great American tradition that dates to our founding fathers.

As our growing industry understands it, the excise tax drawback has been a critical tool to facilitate growth of American exports and has functioned as intended when it was first created two centuries ago and further implemented with Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA). Drawback is one of the few WTO-sanctioned export incentives that helps offset the risk when seeking to develop foreign markets.

As noted in other comments, beverage alcohol is highly regulated and is often subjected to numerous tariff and non-tariff barriers in markets around the world. Further, many foreign competitors benefit from large subsidies and marketing support from their governments. As a result, we believe the drawback program may become more important to our relatively new industry over time and help level the playing field and promote the continued growth of distilled spirits abroad.

Exporting our products and importing products, is a vital part of growing our businesses in this industry. American spirits are in high demand overseas. And, as market access within the United States becomes more difficult because of increased challenges with distribution, exports may become a favored option.

As noted in the current proposed rule, “CBP currently permits this practice *only with respect to wine*. But as explained, the IRC imposes excise tax and provides exemptions from such tax for other goods, including distilled spirits, beer, tobacco products, and certain taxable fuel. Some producers have already requested that CBP extend its current treatment of wine to distilled spirits, and it is possible that firms dealing in these other goods may seek similar treatment.”

We concur with the statement in the preamble. This 400 plus page rule is very extensive, and noting the current treatment, we wish to comment on two key elements. Tax drawbacks should be extended to the alcohol beverage industry. Further, distilled spirits should not be discriminated against and should receive the same treatment as all other beverage alcohol. Distilled spirits have worked to oppose and correct disparate treatment of our products throughout the U.S.   In 2017, for the first time in modern history, craft producers of distilled spirits received a reduced federal excise tax that was in parity craft brewers and vintners in the major tax bill signed in 2017. As a result, craft distillers are reinvesting to support Main Street America with continued job growth. The drawback provision would similarly support manufacturing and job creation within our industry.

Thank you for your consideration of these comments.

Sincerely,

Mark Shilling, Chair Legislative Affairs Committee
Immediate Past President