



December 8, 2020

The Honorable Mitch McConnell
311 Russell Senate Office Building
Washington, DC 20510

The Honorable Nancy Pelosi
H-232 U.S. Capitol
Washington, DC 20515

The Honorable Chuck Schumer
322 Hart Senate Office Building
Washington, DC 20510

The Honorable Kevin McCarthy
H-204 U.S. Capitol
Washington, DC 20515

Dear Majority Leader McConnell, Speaker Pelosi, Minority Leader Schumer, and Leader McCarthy:

As you prepare the final legislative packages of 2020, we implore you to include federal excise tax relief for distillers, brewers, vintners, cider producers and mead makers. The Craft Beverage Modernization and Tax Reform Act (S. 362/H.R. 1175) – with 77 sponsors in the Senate and 351 in the House – is a bipartisan priority and critical to our industries' recovery from the COVID-19 pandemic. It is vital to our industries that this important legislation be included in the next appropriate legislative package and swiftly acted upon before the end of the year.

Our members have struggled as fewer Americans dine outside of their homes, travel or gather for events to prevent the further spread of COVID-19. In 2018, our industries supported more than 5.4 million jobs across the country and generated more than \$562 billion in economic activity. By contrast, this year, producers across the country have seen dramatic declines in revenue, suspended production, furloughed or laid off employees, and closed their doors to visitors. These changes have impacted not only the livelihoods of their employees – but also the livelihoods of farmers, distributors, truck drivers, warehouse workers, and countless others connected to the industries.

Now, weeks away from a federal excise tax increase, producers fear their businesses will not be able to shoulder another burden after such a challenging year. Unlike other tax provisions, absent Congressional action, the increase in federal excise taxes will have an immediate impact on the industries. Some producers will be paying the higher rates as soon as January 15.

To underscore how urgent this matter is, here is a small sample of what we're hearing from our members about the impact increasing federal excise tax rates could have on their businesses during this precarious period:

- “When our local community needed us, we leapt into action and delivered over 405,000 bottles of hand sanitizer (or 300 million hand washes) to individuals across the state. We donated another 7,000 bottles to the New York State Board of Elections to keep voters safe at the polls on Election Day. We delivered smaller orders to over 2,000 police departments, fire stations, hospitals and nursing homes, as well as thousands of private businesses and consumers. Our employees have been working seven days a week, up to 20 hours a day regardless of the weather conditions fighting for their community with the knowledge that many lives and livelihoods depend on it. At the same time, we have already lost 40 percent of our staff this year from unavoidable cuts. With the loss of our offsite division, tasting room revenue, and decreased sales to bars and restaurants, we just could not afford to keep them. We were forced to cut back our production of spirits by over 50 percent, which hurts our farmers, glass suppliers, and label producers and other partners. We have slashed budgets across the company trying to stem the bleeding, but if this federal excise tax increase moves forward, the additional loss next year could cost upwards of four or more additional jobs.” – Jason Barrett, President, Black Button Distilling, Rochester, NY
- "As we attempt to finalize our business plans for 2021, there is no matter more urgent to us both here at home in Iowa and to our broader craft distilling industry than making permanent the reduced FET rate we have received for the last three years — one that previously didn't exist for small distillers. In its first two years, this critical savings allowed us to reinvest in our small businesses and support peripheral industries, like U.S. agriculture, hospitality and tourism, and manufacturing; but this year, the reduced rate has merely helped keep our businesses afloat as we attempt to survive. From sweeping tasting and event room closures and loss of revenue due to COVID-19, keeping production flowing has been tough for so many. If we receive the 400 percent tax increase slated for January 1, 2021, we will almost certainly face more company debt and sweeping layoffs. As a capital-intensive business, we simply cannot remain bankable in this scenario." – Jeff Quint, Owner/Founder, Cedar Ridge Distillery, Swisher, IA
- “The COVID-19 pandemic has resulted in dramatic losses for brewers and beer importers. Specifically, our volume is down 15 percent and our revenue is down 20 percent as we had to close our taproom. Expiration of CBMTRA will be a further kick in the gut when we can least afford it.” – Dan Kopman, CEO, Heavy Seas Beer & E.Krisper's Cider, Baltimore, MD
- “The money that we have saved through the recalibrated excise tax has helped us keep people employed during the pandemic. As we budget for next year, we are re-evaluating staffing levels, and this is a big question mark. Yes, we can keep our current staff if the recalibration continues, if not, we likely would need to

shed one full-time employee. We just do not have a cushion. The dollars saved are flowing right back into our local economy. We hope Congress will let us keep our staffing level and keep those dollars flowing locally.” – Jeff Schrag, Founder and Owner, Mother’s Brewing Co., Springfield, MO

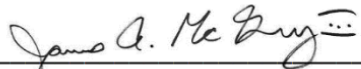
- “Nearly 15 years ago, my wife, Michelle, and I opened the doors of our Alpha Omega winery and vineyard in Napa Valley’s Rutherford appellation. Since then, we have remained firmly committed to our employees and community and have embraced sustainable farming practices to ensure that future generations can enjoy our property. Like others across our great state of California, we have faced multiple challenges throughout the year as a result of the COVID-19 pandemic and wildfires that ravaged Napa Valley and other major grape growing regions. We managed to stay afloat by launching virtual tastings and expanding online sales, and we’ve worked to support the restaurants and small businesses in our community. But now the future of our industry is at stake. Unless Congress acts immediately, federal excise taxes on wine will escalate dramatically on January 1, 2021. Increased excise taxes combined with another round of mandated tastings room closings, growing operating costs as a result of the pandemic and wildfire damage to vineyards, buildings, barrels, equipment and inventory will be too much to bear.” – Robin Baggett, Managing Partner, Alpha Omega Winery, Rutherford, CA
- “As a medium-sized, family-owned and operated winery in the Willamette Valley, we have been hit hard in 2020. Starting with the shutdowns in March, we immediately lost 70 percent of our revenue streams from restaurants across the country and our tasting room. Without the Paycheck Protection Program and relief from our banks, we wouldn’t have survived. Next up was the smoke impact from wildfires that has precluded us from having a vintage this year. Now, we are back to day-to-day mandates about being able to have our tasting room open, or outside only service for the winter. With no relief beyond the initial round of PPP loans, having our federal excise taxes going back up in 2021 will be crippling and an extra burden that many, including our winery, likely will not be able to handle.” – said Janie Brooks Heuck, Chair of WineAmerica, Managing Director, Brooks Winery, Amity, OR
- “We started our small family-owned cider business five years ago with a goal to restore our 150-year-old family farm. This has meant working 15-20 hours per day, asking friends, family and others from the community for help, and often working second or third jobs to make sure the bills get paid. That’s life in the “good” times. There is normal uncertainty in any business and there are risks involved when chasing the American Dream. That risk and uncertainty is understandable and necessary. What we currently face through the artificial uncertainty created by the lack of resolution regarding the CBMTRA’s

permanence is different, however. We need urgent resolution. Cider is the quintessential small business American Dream success story built on local agriculture and community. If that's not worth working to save, what is? The failure to make the CBMTRA permanent now would be a crushing blow to our cider business and several hundred others just like us." – John Behrens, American Cider Association Board Member, Founder and President, Farmhaus Cider, Grand Rapids, MI

- "2020 has been a challenge for everyone, but it has hit the alcohol manufacturers in their hearts and their wallets. March marked a drastic change in our industry, as well as those in the service industry that support us. Relief for everyone affected by the COVID-19 pandemic is not feasible, and lot of us will not survive, but by including the Craft Beverage Modernization and Tax Reform Act in the next legislative package it would be the life support that will help us live to brew another day." – Brandalynn Armstrong, Business Development Manager, Upper Reach Meadery, Phoenixville, PA

We implore you to include the Craft Beverage Modernization and Tax Reform Act (S. 362/H.R. 1175) in the next appropriate legislative package to ensure this tax provision does not lapse. A tax increase now would be nothing short of a devastating blow to distillers, brewers, vintners, cider producers, mead makers, and the many industries closely linked to ours.


Sincerely,



Jim McGreevy, President & CEO
Beer Institute



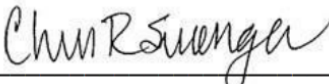
Robert D. Pease, President & CEO
Brewers Association



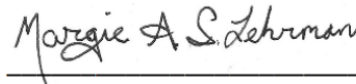
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