



An Update From Washington, DC

Michael Kaiser, Vice President

February 20, 2020

Texas Wine and Grape Growers Association Conference

Irving, Texas

\$250,000

Total saved by 10,000-gallon winery
since 1991



\$11,000

Annual savings of 10,000-gallon winery



Calculating Your Bonus

	UP TO 14% ABV					14% - 16% ABV				
	Your Gallons	Old Rate	New Rate	Savings	WA Dues	Your Gallons	Old Rate	New Rate	Savings	WA Dues
Former Small Producer Tax Bracket	5,000	\$850	\$350	\$500	\$500	5,000	\$3,350	\$350	\$3,000	\$500
	6,000	\$1,020	\$420	\$600	\$500	6,000	\$4,020	\$420	\$3,600	\$500
	7,000	\$1,190	\$490	\$700	\$500	7,000	\$4,690	\$490	\$4,200	\$500
	8,000	\$1,360	\$560	\$800	\$500	8,000	\$5,360	\$560	\$4,800	\$500
	9,000	\$1,530	\$630	\$900	\$500	9,000	\$6,030	\$630	\$5,400	\$500
	10,000	\$1,700	\$700	\$1,000	\$500	10,000	\$6,700	\$700	\$6,000	\$500
	15,000	\$2,550	\$1,050	\$1,500	\$750	15,000	\$10,050	\$1,050	\$9,000	\$750
	20,000	\$3,400	\$1,400	\$2,000	\$1,000	20,000	\$13,400	\$1,400	\$12,000	\$1,000
	25,000	\$4,250	\$1,750	\$2,500	\$1,250	25,000	\$16,750	\$1,750	\$15,000	\$1,250
	30,000	\$5,100	\$2,100	\$3,000	\$1,500	30,000	\$20,100	\$2,100	\$18,000	\$1,500
	40,000	\$6,800	\$3,800	\$3,000	\$1,750	40,000	\$26,800	\$3,800	\$23,000	\$1,750
	50,000	\$8,500	\$5,500	\$3,000	\$2,000	50,000	\$33,500	\$5,500	\$28,000	\$2,000
	60,000	\$10,200	\$7,200	\$3,000	\$2,250	60,000	\$40,200	\$7,200	\$33,000	\$2,250
	70,000	\$11,900	\$8,900	\$3,000	\$3,500	70,000	\$46,900	\$8,900	\$38,000	\$3,500
	80,000	\$13,600	\$10,600	\$3,000	\$3,600	80,000	\$53,600	\$10,600	\$43,000	\$3,600
	90,000	\$15,300	\$12,300	\$3,000	\$3,700	90,000	\$60,300	\$12,300	\$48,000	\$3,700
	100,000	\$17,000	\$14,000	\$3,000	\$3,800	100,000	\$67,000	\$14,000	\$53,000	\$3,800
	110,000	\$27,700	\$15,700	\$12,000	\$3,900	110,000	\$82,700	\$15,700	\$67,000	\$3,900
	120,000	\$38,400	\$17,400	\$21,000	\$4,000	120,000	\$98,400	\$17,400	\$81,000	\$4,000
	130,000	\$49,100	\$19,100	\$30,000	\$4,100	130,000	\$114,100	\$19,100	\$95,000	\$4,100
	140,000	\$59,800	\$24,450	\$35,350	\$4,200	140,000	\$129,800	\$24,450	\$105,350	\$4,200
	150,000	\$70,500	\$29,800	\$40,700	\$4,300	150,000	\$145,500	\$29,800	\$115,700	\$4,300
175,000	\$119,750	\$43,175	\$76,575	\$4,550	175,000	\$207,250	\$43,175	\$164,075	\$4,550	
200,000	\$169,000	\$56,550	\$112,450	\$4,800	200,000	\$269,000	\$56,550	\$212,450	\$4,800	
225,000	\$218,250	\$69,925	\$148,325	\$5,050	225,000	\$330,750	\$69,925	\$260,825	\$5,050	
Regular Bracket	250,000	\$267,500	\$83,300	\$184,200	\$5,300	250,000	\$392,500	\$83,300	\$309,200	\$5,300
	275,000	\$294,250	\$96,675	\$197,575	\$5,550	275,000	\$431,750	\$96,675	\$335,075	\$5,550
	300,000	\$321,000	\$110,050	\$210,950	\$5,800	300,000	\$471,000	\$110,050	\$360,950	\$5,800



Calculating Your Bonus

YOUR GALLONS (Cases)	OLD RATE	NEW RATE	SAVINGS	WA DUES
10,000 (4,205)	\$1,700	\$700	\$1,000	\$500
25,000 (10,513)	\$4,250	\$1,750	\$2,500	\$1,250
50,000 (21,026)	\$8,500	\$5,500	\$3,000	\$2,000
200,000 (84,104)	\$169,000	\$56,550	\$112,450	\$4,800



Why? WineAmerica Successes

- Craft Beverage Modernization and Tax Reform Act
- Small Producer Tax Credit (1991, major savings dependent on winery size)
- Repeal of Special Occupational Tax (2004, \$500 to \$1,000 annual savings depending on size)
- Repeal of Bond Requirement as of 1/1/2017 (up to \$1,000 annual savings)
- Music Licensing Consent Decree by Department of Justice
- USMCA Passage



A Tale of Two Climates



SOLUTION:

National Grassroots Public Policy Advocacy

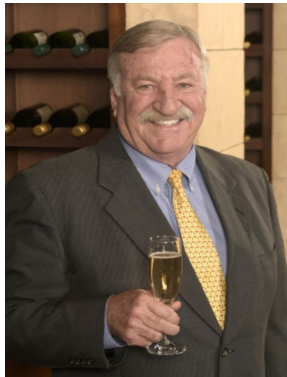


Washington, DC: Politics, Policy, and Your Bottom Line



WineAmerica

National Organization of American Wineries



Jim Trezise
President



Tara Good
Vice President



Michael Kaiser
Vice President



Larry Meyers
President
Meyers & Associates



Fran Boyd
Sr. Vice President
Meyers & Associates

Lean, mean lobbying machine



State and Regional Associations Advisory Council (SRAAC)

Atlantic Seaboard Wine Association

Colorado Wine Industry Development Board

Finger Lakes Wine Alliance

Garden State Wine Growers Association

Idaho Wine Commission

Indiana Winery & Vineyard Association

Illinois Grape Growers and Vintners Alliance

Kentucky Grape & Wine Council

Kentucky Wineries Association

Long Island Wine Council

Maryland Wineries Association

Michigan Wine Collaborative

Missouri Wine and Grape Board

Napa Valley Vintners

Nebraska Winery & Grape Growers Association

New Mexico Wine Growers Association

New York State Wine & Grape Foundation

New York Wine Industry Association

North Carolina Wine and Grape Growers Council

Ohio Wine Producers Association

Oregon Winegrowers Association

Pennsylvania Wineries Association

Purdue Wine Grape Team

Seneca Lake Winery Association

Tennessee Farm Winegrowers Association

Texas Hill Country Wineries

Texas Wine and Grape Growers Association

Texas Wines - Texas Department of Agriculture

Vermont Grape and Wine Council

Virginia Wineries Association

Walla Walla Valley Wine Alliance

Washington Winegrowers

Washington Wine Institute

Willamette Valley Wineries Association

Wine Institute

Wine Road of Northern Sonoma County



Power of Partnerships



WineAmerica National Economic Impact Study

\$220 Billion



The Wine Industry Boosts the American Economy by \$219.9 billion in 2017

Wine is an all-American beverage produced in all 50 states. The production, distribution, sales, and consumption of wine benefits many sectors of the United States economy and will generate close to \$219.9 billion in total economic activity. This ultimate value-added product preserves agricultural land, provides American jobs, attracts tourists, generates taxes, and enhances the quality of life.

Economic Impact of the Wine Industry in the United States

(\$ In Billions)	Direct	Supplier	Induced	Total
Output	\$84,523	\$58,276	\$76,587	\$219,885
Jobs	998,496	288,780	450,994	1,738,270
Wages	\$33,523	\$18,448	\$23,781	\$75,752
Business Taxes				\$31,296
Consumption Taxes				\$5,197

Total Output: The wine industry generates close to \$219.9 billion in total economic activity, dramatically illustrating that wine is the ultimate value-added beverage. The broader economic impact flows throughout the nation, generating business for firms seemingly unrelated to the wine industry. Real people, with real jobs, working in industries as varied as farming, banking, accounting, manufacturing, packaging, transportation, printing, and advertising depend on the wine industry for their livelihoods.

National Reach: The wine industry includes a total of 10,236 wine producers¹ in all 50 states, as well as 677,581 acres of vineyards.

Job Creation: The wine industry directly employs as many as 998,496 people, and generates an additional 288,780 jobs in supplier and ancillary industries which supply goods and services to the industry, and whose sales depend on the wine industry's economic activity. Ultimately, 1.7 million jobs are created and supported by the wine industry.

Wage Generation: The wine industry provides good jobs, paying an average of \$43,600 in annual wages and benefits. The total wages generated by direct, indirect, and induced economic activity driven by the wine industry are \$75.8 billion.

Tourist Activity: The wine industry is a major magnet for tourists and tourism-driven expenses. America's "wine country" regions will generate 43 million tourist visits and \$17.7 billion in annual tourism expenditures, benefiting local economies and tax bases.

Tax Revenues: The wine industry generates sizeable tax revenues on the local, state, and national levels. In 2017, the industry will pay nearly \$13.2 billion in state and local business taxes, and \$18.1 billion in federal business taxes for a total exceeding \$31.3 billion. In addition, the industry generates approximately \$993.0 million federal consumption taxes and \$4.2 billion in state consumption taxes which include excise and sales taxes.

¹ Throughout this study, the winery count refers to the number of winery facilities. A single winery may have multiple facilities throughout the state or country. Each of these facilities is included in the winery count.

www.wineamerica.org

Source: 2017 Economic Report on Wine prepared by John Danham & Associates, New York



What's in a Bottle of Wine? \$219.9 Billion!

The Wine Industry Boosts the United States Economy

\$219.9 Billion
Total Economic Impact

10,236 Wine Producers
in All 50 States

677,581 Vineyard Acres

1.7 Million Jobs

\$75.8 Billion
in Annual Wages

43 Million
Tourist Visits

\$17.7 Billion
Tourist Expenditures

\$31.3 Billion
Total Taxes

\$18.1 Billion
Federal Taxes

\$13.2 Billion
State and Local Taxes



2017 Economic Impact Report on American Wine Industry
Prepared by John Danham & Associates, New York
For methodology or additional information visit www.wineamerica.org
Photos by Randy Tapp, Design by Becca Marshall
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Economic Impact of Wine Industry 2017 Data United States



Direct Economic Impact			
	Jobs	Wages	Output
Winery	65,145	\$4,625,341,600	\$19,598,894,800
Vineyard	44,380	\$1,883,734,600	\$3,489,451,300
Wholesale	41,979	\$3,745,145,300	\$10,444,685,500
Retail	657,633	\$17,956,071,900	\$38,194,733,300
Associations	708	\$54,161,500	\$150,624,200
Research and Education	922	\$99,355,900	\$260,748,800
Tourism	187,729	\$5,158,910,100	\$12,383,587,200
Total	998,496	\$33,523,722,900	\$84,523,725,100
Supplier Impact			
	Jobs	Wages	Output
Agriculture	27,876	\$1,186,337,900	\$2,644,679,500
Mining	2,345	\$267,810,900	\$1,222,352,800
Construction	5,518	\$322,753,900	\$992,620,400
Manufacturing	30,987	\$2,323,057,600	\$13,883,280,500
Wholesale	15,246	\$1,360,279,800	\$3,793,629,200
Retail	10,466	\$333,622,100	\$873,827,400
Transportation & Communication	34,180	\$2,698,263,000	\$10,006,436,800
Finance, Insurance & Real Estate	41,335	\$2,114,420,300	\$10,104,088,600
Business & Personal Services	96,391	\$6,794,645,500	\$12,838,734,100
Travel & Entertainment	18,264	\$492,465,100	\$1,209,840,100
Government	6,172	\$554,484,800	\$1,206,216,900
Other	0	\$0	\$0
Total	288,780	\$18,448,140,900	\$58,775,706,300
Induced Economic Impact			
	Jobs	Wages	Output
Agriculture	8,657	\$394,263,700	\$1,222,053,000
Mining	2,152	\$256,981,200	\$1,124,440,600
Construction	5,404	\$316,071,300	\$992,291,600
Manufacturing	21,654	\$1,635,747,300	\$12,671,651,700
Wholesale	13,549	\$1,209,051,900	\$3,371,876,200
Retail	57,279	\$2,046,926,400	\$4,640,152,500
Transportation & Communication	23,926	\$2,006,298,600	\$8,848,718,700
Finance, Insurance & Real Estate	54,642	\$3,284,237,000	\$18,749,814,900
Business & Personal Services	183,707	\$10,267,968,100	\$18,653,891,000
Travel & Entertainment	67,260	\$1,740,240,600	\$4,721,729,900
Government	5,536	\$478,439,000	\$1,267,004,200
Other	7,228	\$145,111,100	\$323,104,400
Total	450,994	\$23,781,336,200	\$76,586,728,700
Total Economic Impact			
	Jobs	Wages	Output
	1,738,270	\$75,752,200,000	\$219,885,160,100
Business Taxes			
Federal	State and Local	Total	
	\$18,062,940,700	\$13,232,924,900	\$31,295,865,600
	\$993,037,700	\$4,204,054,400	\$5,197,092,100
Total Taxes	\$19,055,978,400	\$17,436,979,300	\$36,492,957,700

John Danham & Associates

New York, 2017

- First National Study of American Wine Industry Impact
- Includes Data and Resources for All 50 States and DC
- Available at www.wineamerica.org/impact



Key Issues

- Excise Tax Reform
- Immigration Reform/Agriculture Labor
- Trade Policy
- Regulatory Issues (ADA Website Compliance)
- Music Licensing for Wineries
- General Government Funding



The Changing Political Landscape

- Donald Trump, President (impeachment impact)
- Cabinet and Agency Changes (USDA, TTB, FDA, EPA, USTR, etc.)
- Program Changes (Trade Agreements, Research Funding, Market Access Programs, TTB Funding, etc.)
- Issues Impacts (Immigration Reform, Excise Tax Reform, etc.)
- Republican Senate
- Democratic House of Representatives
- Republican Governors Majority
- Conservative Supreme Court Majority



Excise Tax Reform Success

Craft Beverage Modernization and Tax Reform Act

Passed as part of the Tax Cuts and Jobs Act, Extended through 12/31/20

- 74 Senate Co-Sponsors (38 D/36 R)
- 342 House Co-Sponsors (176 D/166 R)
- Significant Savings for Wineries of All Sizes



Excise Tax Reform-the Basics

- Expires December 31, 2020
- Federal Excise Tax Rate is \$1.07*
- Credit of \$1.00 on first 30,000 gallons produced (effective tax rate 7 cents)*
- Credit of \$.90 for 30,001 to 130,000 gallons produced (effective tax rate 17 cents)*
- Credit of \$.535 for 130,001 to 750,000 gallons produced (effective tax rate 53.5 cents)*
- Increases table wine maximum alcohol threshold to 16%
- May be applied to table wine or sparkling wine (to be specified by producer)

*for table wine



Excise Tax Reform-the Process and the Problems

- TTB given 10 days to implement
- “Produced by the Producer”
- Industry Circular 2018-1: Alternate Procedure for Bonded Wine Cellars
- Bond to bond transfer of bulk wine ineligible for credits
- Custom Crush/co-pack client ineligibility
- Delay on import procedures
- Some issues retroactively addressed in extension
- EXPIRES IN TEN MONTHS

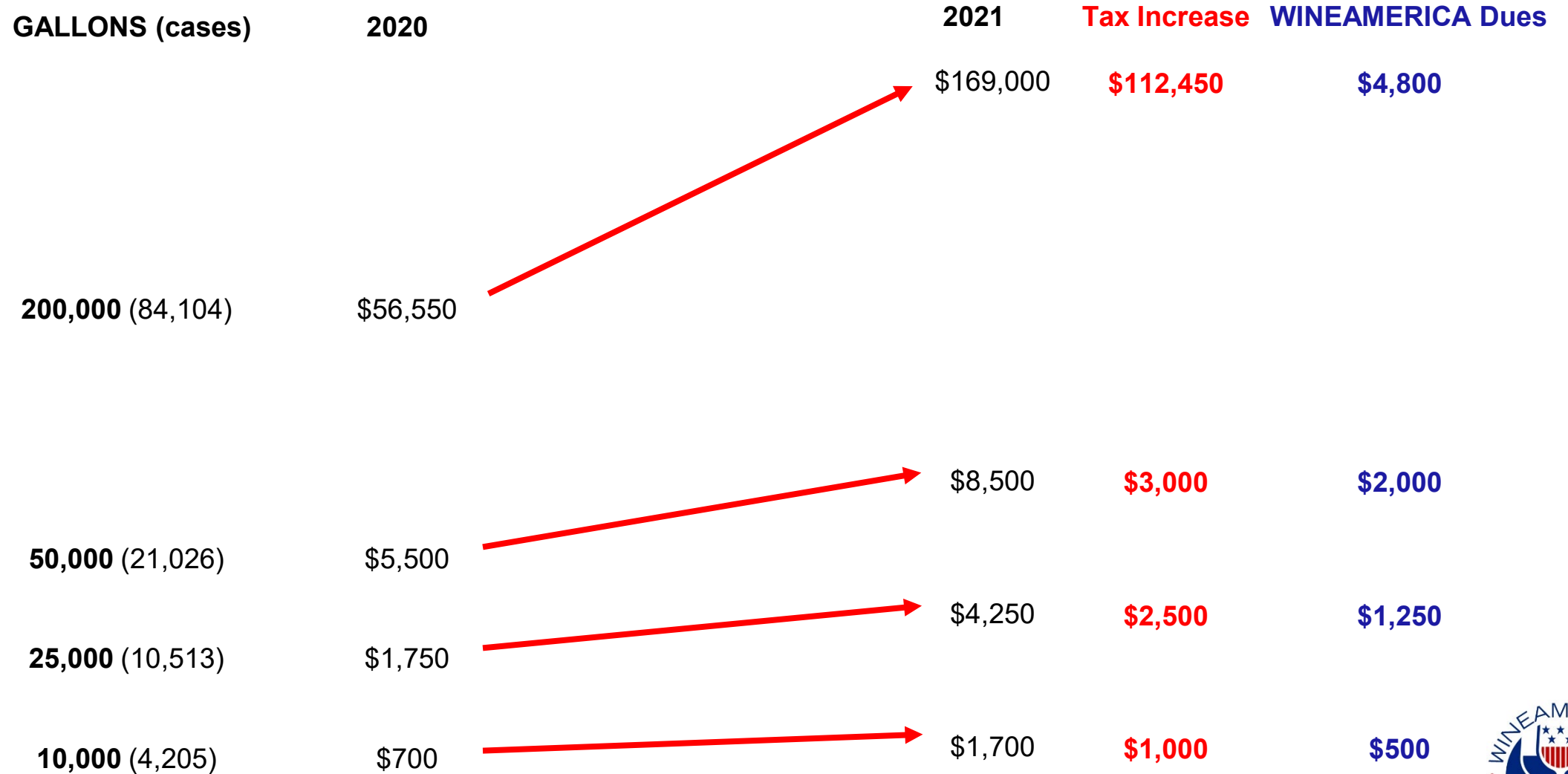


Excise Tax Reform-The Future

- Craft Beverage Modernization Act of 2019
- Introduced in the Senate on February 6, 2019: S. 362
- Senators Ron Wyden (D-OR) and Roy Blunt (R-MO) are lead co-sponsors
- Introduced in House on February 13, 2019
- Representatives Ron Kind (D-WI) and Mike Kelly (R-PA) are lead co-sponsors
- Working on getting more co-sponsors in both chambers
- Will make permanent (or extend) the new credits/reforms
- Language will retroactively fix the implementation problems
- Election year issues?
- Yearly extension loop?



2020: Sunset Scenario



Government Funding

- Federal Government fully funded through September 30, 2020
- Two “omnibus” bills last year
- Committees working earlier
- Finished by June?
- Continuing Resolutions?
- Election complications: Lame Duck finish?



Agriculture Labor

- Farm Workforce Modernization Act: H.R. 5038: Would reform H-2A Guest Worker Program
- Introduced by Reps. Zoe Lofgren (D-CA) and Dan Newhouse (R-WA)
- 63 sponsors (38 D/ 25 R)
- Passed House on December 11, 2020
- Passed with a bipartisan vote of 260-165
- Senate Action this year?
- First major piece of agriculture labor reform passed in over 30 years



International Trade

- USMCA Passed, signed by President
- Chinese Tariffs: new agreement keeps from rising: total tariff is now 93%
- EU Tariffs: 100% tariffs proposed on EU wines imported into US
- What does it mean for domestic industry?
- Why should Texas wineries care?



Regulatory Issues

- TTB labeling proposals: General labeling and standards of fill: Decisions looming
- ADA Website lawsuits
 - US wineries sued over website access for vision impaired individuals
 - No federal standards
 - Guidelines for “compliance”
 - WineAmerica webinar
 - WineAmerica working on continued education
 - Engaged with Rep. Thompson’s office: legislative solution?



Music Licensing for Wineries

- WineAmerica in MIC Coalition
- ASCAP and BMI the major players: Control nearly 90%
- Needed for virtually all live music
- Worked with PRO's on transparency and more user friendly
- Consent Decree: Under Review from Department of Justice
 - prohibit either PRO from discriminating against similarly situated licensees;
 - require ASCAP and BMI to provide a license to any potential licensee that applies for one
 - grant the right of direct licensing
 - forbid exclusive licensing on the part of either PRO
 - provide licensees with access to a forum to establish reasonable licensee fees
- Oppose lifting of decrees



Working for You

We take of your business **climate**
so you can take care of your business.



Diversity is our Strength
Unity is our Power



WineAmerica: The National
Association of American Wineries



Thank you!

Questions?

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