



TAX REFORM

DID YOU KNOW?

Distilling is the highest taxed among all **532** manufacturing industries in Kentucky.

Kentucky is only one of two states with a wholesale tax on alcohol (South Dakota at 2%).

Kentucky ranks **5th highest** among all market states in spirits taxes.

Kentucky is the only place in the world that taxes aging barrels of spirits.



The KDA supports several initiatives to streamline and reform spirit taxes.



- Explore ways to make Kentucky's antiquated tax system on alcohol more efficient and effective in today's marketplace.
- Oppose any effort to increase alcohol taxes.
- Eliminate the barrel tax or give distillers full relief from this discriminatory tax.



TOURISM REFORM

DID YOU KNOW?

Kentucky Bourbon Trail® visitors made nearly **2 million** stops at **37** participating distilleries in 2019.

More than **70%** of those visitors came from outside the state.

The top issue for Bourbon tourists is direct-to-consumer shipping.



The KDA supports several initiatives to attract more visitors to the state and help our distilleries reach their "Napa Valley" potential, especially as they rebound from the pandemic.



- Continue to modernize and streamline Kentucky's new Direct-to-Consumer shipping laws.
- Reform distillery gift shop sales to remove wholesale taxes on bottles that never pass through a wholesaler, a privilege that wineries and breweries already enjoy.
- Allow the sale of private barrel selections and exclusive bottles at distillery gift shops, a privilege already given to wineries, breweries and distillers around the world.
- Make retail cocktails-to-go and bottle sales at restaurants permanent, continuing the temporary success of these sales during COVID.



LIABILITY PROTECTION

DID YOU KNOW?

Kentucky distilleries rose to the challenge during the COVID crisis and began producing and donating hundreds of thousands of gallons of much-needed hand sanitizer for our hospitals, first responders and front-line workers.



The KDA supports initiatives to provide liability protection for our distilleries and other businesses that provided temporary and targeted relief during the shortage of PPE and other critical goods and services.



RECLASSIFICATION OF DISTILLERS GRAINS

DID YOU KNOW?

Our distilleries buy more than **9 million bushels of corn** and other grains from Kentucky farmers, which is more than half of all distillery corn purchases.

As those grains are cooked and fermented in the distillation process, spent grains are a byproduct that is left over. These byproducts are perfect for feeding livestock on the farm and other agricultural applications.



The KDA believes that distillers grains should not be classified as industrial waste, especially since petroleum byproducts aren't classified as an industrial waste.



- Distillers spent grains and other byproducts are agriculture in nature and should be listed that way in state environmental regulations.

FEDERAL ISSUES

DID YOU KNOW?



The trade war with China and the European Union is threatening distilleries across the United States and right here in Kentucky.

Kentucky spirits exports are down more than **30%** through the first half of 2020 after years of double-digit growth, and exports are on track to be their lowest in a decade.

The COVID pandemic has also hit distilleries hard, as sales at bars and restaurants have plummeted and smaller distilleries struggle to keep their doors open.

The KDA supports federal action by Congress to provide tax relief and emergency assistance to the distilling industry.



- Provide tax relief by suspending federal excise taxes on domestic and imported spirits products and permanently extending the Craft Beverage Modernization and Tax Reform Act (H.R. 1175/S. 362) so distillers don't face a tax increase at the end of this crisis.
- Seek the suspension of tariffs on distilled spirits through de-escalating the trade dispute with the European Union and urging the simultaneous removal of tariffs on distilled spirits products.
- Develop an Industry Stabilization Fund and fund low interest loan programs to ensure distilleries have available capital to operate during this economic disaster.
- Urge the Food and Drug Administration to update their guidance on hand sanitizer so distillers are not taxed on its production.