



805 15<sup>TH</sup> STREET, NW, SUITE 1120  
WASHINGTON, DC 20005

OFFICE: (202) 371 9792

FAX: (202) 789 2405

WWW.WSWA.ORG

April 16, 2020

The Honorable Nancy Pelosi  
Speaker of the House  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Kevin McCarthy  
Republican Leader  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Chuck Schumer  
Democratic Leader  
United States Senate  
Washington, D.C. 20510

Re: WSWA Legislative Priorities

The U.S. alcohol industry, and the nearly 2.5 million jobs it supports, is experiencing devastating economic impacts from COVID-19 – an overwhelming and unforeseen crisis that is growing more severe by the day. As states and localities implement social distancing policies, restaurants, taverns, hotels, and other “on-premise” venues close down, and major sporting and entertainment events cancel, the entire alcohol supply-chain is being impacted.

As wholesalers, we serve our distiller and winery partners by connecting their products and brands to our retail customers. When hospitality and entertainment venues close their doors across the country, not only does 25 percent of U.S. alcohol sales by volume vanish into thin air, but wholesalers are largely left with the bill.

Wholesalers purchase and hold inventory and then extend credit when that product is sold to retailers. Now, much of the receivables from products purchased in the lead up to this crisis will never be collected. Based on an estimate of sales to on-premise hospitality establishments that have closed or reduced operations, wine and spirits wholesalers can expect to see as much as \$921.4 million in uncollectible or difficult to collect receivables. The federal excise tax on these products was paid when the wholesalers purchased these products and wholesalers have paid the appropriate state excise tax when they sold that product to the retailer. These taxes amount to \$5.6 billion in federal and \$4.2 billion in state taxes annually.

Any increases in “off-premise” sales at liquor and grocery stores will never make up for this massive economic loss. To make matters worse, many of America’s wholesalers are ineligible to receive relief provided by Congress and the Administration through the CARES Act.

To provide economic relief to the wholesale-tier of the industry, help us maintain our workforce of nearly 88,000 employees in every state and congressional district, and allow us to continue

---



serving America's wine and spirits customers during this pandemic, we humbly ask Congress to implement the following legislative measures:

- **Accelerate Tax Deduction of “Bad Debts” to the Present Taxable Year**

Congress should consider a temporary modification to tax rules that would allow for more generous treatment of large, unexpected volume of defaults on credit sales due to COVID-19 shutting down on-premise retailers.

The current tax code allows a deduction for wholly worthless debts or “bad debts.” Bad debts are “mainly the result of credit sales to customers.” However, the timing of the deduction severely limits its value to wholesalers right now. Businesses must wait “a reasonable period of time” before claiming a bad debt deduction, which involves a facts-and-circumstances test that may take years and in some cases may not be demonstrated until a bankruptcy settlement is reached.

Wine and spirits wholesalers selling inventory goods on credit are experiencing monumental defaults on such sales, and they will continue to experience defaults for months to come.

**Congress should pass a temporary legislative modification to account for this unexpected event by loosening the facts-and-circumstances test on bad debt deductions and accelerating those deductions into the present taxable year.**

- **Expansion for Small Business Administration (SBA) Loans to Include All Beverage Alcohol Wholesalers**

As Congress works to mitigate the COVID-19 public health crisis, any economic relief made available to the hospitality industry must include relief for alcohol distributors that service our retail partners, provide valuable products for consumers, and employ tens of thousands of Americans. Restrictions on the type of businesses eligible for relief means that entire sectors of the hospitality industry will unfairly bear the brunt of this crisis and the livelihoods of its workers will be unjustifiably threatened.

Since many wholesalers are multi-state operators, they do not qualify for the small business relief in the CARES Act, even though most of their affiliated state businesses would qualify. For example, a wholesaler with separately organized businesses in 3 states and a total of 750 employees is ineligible to receive relief, despite one state having 550 employees and the other two having no more than 88 employees.

The economic difficulty these wholesalers are facing is directly related to the zeroing out of on-premise activity. **Congress should extend the same relief afforded to restaurants and hotels by expanding the eligibility of businesses for Small Business Administration loan programs to include those under the North American Industry Classification System (NAICS) code 4248.**

- **Reinstatement of the Meals & Entertainment Deduction**



To help the industry and economy bounce back from this crisis, **Congress should reinstate the meals and entertainment tax deduction** to encourage businesses to support our restaurant partners as they begin to resume operations.

We appreciate your time and attention to these matters. As always, we stand ready to help in any way we can.

Sincerely,

A handwritten signature in blue ink, reading 'Michelle Korsmo'.

Michelle L. Korsmo  
President and CEO  
Wine & Spirits Wholesalers of America