



March 19, 2020

VIA e-mail

The Honorable Henry McMaster
State House
1100 Gervais Street
Columbia, South Carolina 29201

Re: COVID-19 Relief for the South Carolina Craft Brewing Industry

Dear Governor McMaster:

As Executive Director of the South Carolina Brewers Guild, I write on behalf of South Carolina's 92 operating breweries and brewpubs and their employees to request immediate assistance in aiding our industry, most of which is comprised of small family-run businesses, as it braces for the disastrous economic impact of COVID-19. We have truly appreciated your support in the past for issues most important to the craft beer industry in South Carolina and are very proud to say that our industry currently provides an economic impact of \$796M to South Carolina's economy, as well as thousands of jobs across the state. In addition to this, perhaps one of the most important services our industry provides is a place of community as so many of our members are community centers where citizens come to attend locally-focused events, support charities, and better their neighborhoods. Our industry's growth has been exponential in just the past ten years, contributing to a large increase in economic development and tourism in counties criss-crossing the state, which is why it is of paramount importance that it be given every opportunity to continue operating in a safe and helpful manner for both consumers and businesses in these very uncertain and troubling times.

Under the state's current regulatory scheme, the survival of craft breweries in our state - and the livelihoods of the thousands of workers supported by our industry - requires at least one of several business models to flourish:

(1) On-Premise Sales (draught and to-go). In this model, customers leave their homes to visit breweries in order to try and ultimately buy, beer. Many of these brewery types are brewpubs or nano breweries. This model represents the vast majority of breweries in our state who rely on direct sales to customers to make a living. I note that for brewpubs, this is the only model allowed by law.

(2) Wholesale Distribution. This model relies upon a ready and willing wholesale market within the state, serviced by wholesalers, as state law prohibits breweries from distributing their own products to retailers in any amount.¹

(3) A mixed model. Some packaging craft breweries have developed both strong customer-facing and wholesale distribution businesses. Most of these breweries are ones that have been around for many years. I note that since 2013 when laws changed to enable the on-premise model mentioned above, there has been a 500%+ increase in the opening of craft breweries in our state.

To be in line with your Executive Order 2020-10, all breweries and brewpubs have ceased on-premises operations in regard to the service of food and beverage and have had to shift to a complete model of to-go sales only. Additionally, with the closure of on-premise retail accounts aside from to-go sales, beer wholesalers have ceased all orders of draft products out of necessity for their businesses, and many of our breweries and brewpubs don't have large enough packaging operations to have a wholesaler. I note that this time of year is usually the time when business picks back up for brewers (as well as bars and restaurants and other on-premises retailers) and revenues are recouped as the winter months are notoriously slow for sales and consumers are just beginning to come back out. Further, because of the recent changes in beer laws going back to 2013, most of the state's breweries are very young businesses that have focused on reinvestment with very limited cash reserves. With no avenue to sell for on-premise sales or for sales to the statutorily mandated wholesaler for sales to retailers, our businesses are already seeing a big decline in sales and that will most certainly continue for the foreseeable future until the threat of COVID-19 subsides - whenever that might be. For example, Liability Brewing Co. in Greenville is now projecting a 95% decrease in revenues - a catastrophic hit. Many other breweries are projecting even larger losses. If these businesses are forced to absorb any additional costs or are deprived of the means of selling their beer, many will be out of business within one (1) month.

In an effort to mitigate some of the catastrophic economic damage that is certainly to come to our industry, while also balancing our desire to work alongside you in order to maximize the protection of our employees, owners, and customers from the public health threat posed, we would respectfully request that you consider the following measures in concert with your focus on public distancing to defeat the threat and impact of COVID-19 and pursuant to Section 3 of your Executive Order, have the South Carolina Department of Revenue enact such measures as requested:

(1) A temporary suspension and rescinding of purchase limits on to-go sales (288 ounce limit per person per day) so that breweries can sell as much to-go beer as

¹ Note that this is unlike nearly 40 other states, including our neighbors in North Carolina. See N.C. Gen. Stat. § 18B-1104.

possible through customer pickup at the licensed premises² and direct shipping to physical addresses in- and out-of-state (recalling that on and off-premises retailers have no purchase limits).

(2) A temporary waiver of the prohibition on the drive-thru service of food and beer for breweries and brewpubs and provision for home delivery service to physical addresses for those with proper identification and qualification.³

(3) A temporary allowance and suspension of mandated distribution for breweries and suspension of the prohibition on distribution for brewpubs which would allow breweries and brewpubs to sell directly to retailers.⁴

We want to thank you for the economic assistance that you have already offered by delaying the payment of retail, payroll, and excise taxes to the Department of Revenue; providing affected workers that opportunity to received unemployment benefits quickly; and submitting the required request for assistance to the Small Business Administration to make loans available in the form of the SBA Economic Injury Disaster Loans. We would also respectfully request that you consider:

(1) Making available no- or low-interest loans to breweries and brewpubs that can evidence a dramatic decrease in business;

(2) Make available grants and/or deferred payments for breweries and brewpubs that already have existing loans with the Small Business Association;

(3) Consider a proclamation encouraging lenders to consider no-interest loan deferments until three (3) months after the national state of emergency is over; and

(4) Eliminating penalties for the late payment of business, payroll, excise, property and other associated taxes.

² For example, Florida just allowed such an ease in restriction to accommodate breweries. See Frequently Asked Questions Related to Restaurants, Bars, and Nightclubs pursuant to Executive Order 20-68 (http://www.myfloridalicense.com/DBPR/os/documents/EO_20.68_FAQ.pdf). Many states already have no such limits such as our neighbors in North Carolina and Virginia. And many others are allowed to direct ship such as Ohio. Ohio Rev. Code Ann. § 4303.232. We also believe this would be a positive for both retailers and wholesalers as both would be able to make more sales. I also note that many breweries have on-premise alcohol permits for the use in purchasing beer and wine from wholesalers which they are allowed to sell. New York has also issued helpful guidance. See SLA COVID-19 Guidance (<https://sla.ny.gov/Restrictions-in-Response-to-COVID-19?fbclid=IwAR3MreiGrryZezCegg5a0I6FspunMvpF3pa-LhzplGJI0qF7PT8i20JmiKF4>).

³ This action would require suspension of S.C. Code. Reg. § 7-702.5. Many states already allow such practices, including our neighbors in North Carolina and Virginia. Many others who don't have such practices such as Arizona, Hawaii, Minnesota, Mississippi, New Jersey, Oklahoma, Washington, and Wisconsin are working with their Governors and alcohol regulatory bodies to allow them temporarily.

⁴ This would require suspension of S.C. Code. Reg. § 7-702.2. Many states allow such practices, such as our neighbors in North Carolina (N.C. Gen. Stat. § 18B-1104) and Virginia (Va. Code Ann. § 4.1-208).

South Carolina's breweries and brewpubs are good citizens and understand and appreciate the need for these laws in normal times. We understand that some of our partners and colleagues in the retail and wholesale business may see these requests negatively, as an attack on the current regulatory system - and ultimately, on them. We want to make clear that is not the case. By making these requests, it is not our intent to use this crisis as a non-legislative opportunity to completely turn upside down the regulatory scheme that producers, distributors, and retailers work by every day. However, our alcohol regulatory system, as currently constructed and enacted, does not provide us as producers with the tools or solutions to handle what we now face as businesses in light of this crisis. I would ask that if you and the Department of Revenue are not able to accommodate some or all of our requests, that we be able to work creatively with your administration to find solutions as quickly as possible, or in the event that an emergency or special session of the General Assembly is called in response to the current circumstances, that every effort be made to push or enact some or all of the provisions on which you or the Department of Revenue are not able to assist and that you would be supportive of such measures. While we know that there are many in the hospitality industry that will be adversely impacted by COVID-19 and will also be contacting your office with a variety of requests for aid to their businesses, we believe that the above actions would provide some relief to these small businesses which would go a long way to ensuring their viability, sustainability, and future to the many South Carolina communities who count on them.

I truly thank you for your consideration of these requests in this very difficult and uncertain time and appreciate your continued leadership and support of our industry.

Sincerely yours,



Brook Bristow
Executive Director

BB/

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