



2022 STATE OF THE INDUSTRY AND TAXATION

WHO WE ARE



78 MEMBERS
73 DISTILLING OPERATIONS *in*
40 KENTUCKY COUNTIES

KENTUCKY DISTILLERS' ASSOCIATION MEMBERS



CRAFT

AMBRABEV, DANVILLE
 AUGUSTA DISTILLERY, AUGUSTA
 B. BIRD DISTILLERY, AUGUSTA
 BARD DISTILLERY, GRAHAM
 BARRELL CRAFT SPIRITS, LOUISVILLE
 BARREL HOUSE DISTILLING CO., LEXINGTON
 BLUEGRASS DISTILLERS, LEXINGTON
 BOONE COUNTY DISTILLING CO., INDEPENDENCE
 BOUNDARY OAK DISTILLERY, RADCLIFF
 BROUGH BROTHERS, LOUISVILLE
 CASEY JONES DISTILLERY, HOPKINSVILLE
 COAL PICK DISTILLERY, DRAKESBORO
 COPPER & KINGS, LOUISVILLE
 DUELING GROUNDS DISTILLERY, FRANKLIN
 HARTFIELD & CO., PARIS
 JAMES E. PEPPER, LEXINGTON
 JEPHIA CREED, SHELBYVILLE
 KENTUCKY ARTISAN DISTILLERY, CRESTWOOD
 KENTUCKY MIST, WHITESBURG
 KENTUCKY PEERLESS, LOUISVILLE
 LIMESTONE BRANCH DISTILLERY, LEBANON
 LOG STILL DISTILLERY, NEW HAVEN
 MB ROLAND DISTILLERY, PEMBROKE
 NEELEY FAMILY DISTILLERY, SPARTA
 OLD POGUE DISTILLERY, MAYSVILLE
 PRESERVATION DISTILLERY, BARDSTOWN
 RD#1 DISTILLERY, LEXINGTON
 ROUTE 52 MOONSHINE, IRVINE
 SADDLESTONE DISTILLERY, MIDWAY
 SECOND SIGHT SPIRITS, LUDLOW
 THREE BOYS DISTILLERY, FRANKFORT



HERITAGE

BARDSTOWN BOURBON COMPANY, BARDSTOWN
 BEAM SUNTORY, LOUISVILLE
 JIM BEAM, CLERMONT
 MAKER'S MARK, LORETTO
 BROWN-FORMAN CORP.
 OLD FORESTER, LOUISVILLE
 WOODFORD RESERVE, VERSAILLES
 CASTLE & KEY, FRANKFORT
 DIAGEO NORTH AMERICA
 BULLEIT, SHELBYVILLE
 STITZEL-WELLER, LOUISVILLE
 FOUR ROSES DISTILLERY, LAWRENCEBURG & COX'S CREEK
 GREEN RIVER DISTILLING COMPANY, OWENSBORO
 HEAVEN HILL BRANDS
 BOURBON HERITAGE CENTER, BARDSTOWN
 EVAN WILLIAMS, LOUISVILLE
 LOUISVILLE DISTILLING COMPANY, LOUISVILLE
 LUX ROW DISTILLERS, BARDSTOWN
 MICTER'S DISTILLERY, LOUISVILLE
 RABBIT HOLE DISTILLERY, LOUISVILLE
 WILD TURKEY, LAWRENCEBURG
 WILDERNESS TRAIL DISTILLERY, DANVILLE
 WILLETT DISTILLERY, BARDSTOWN



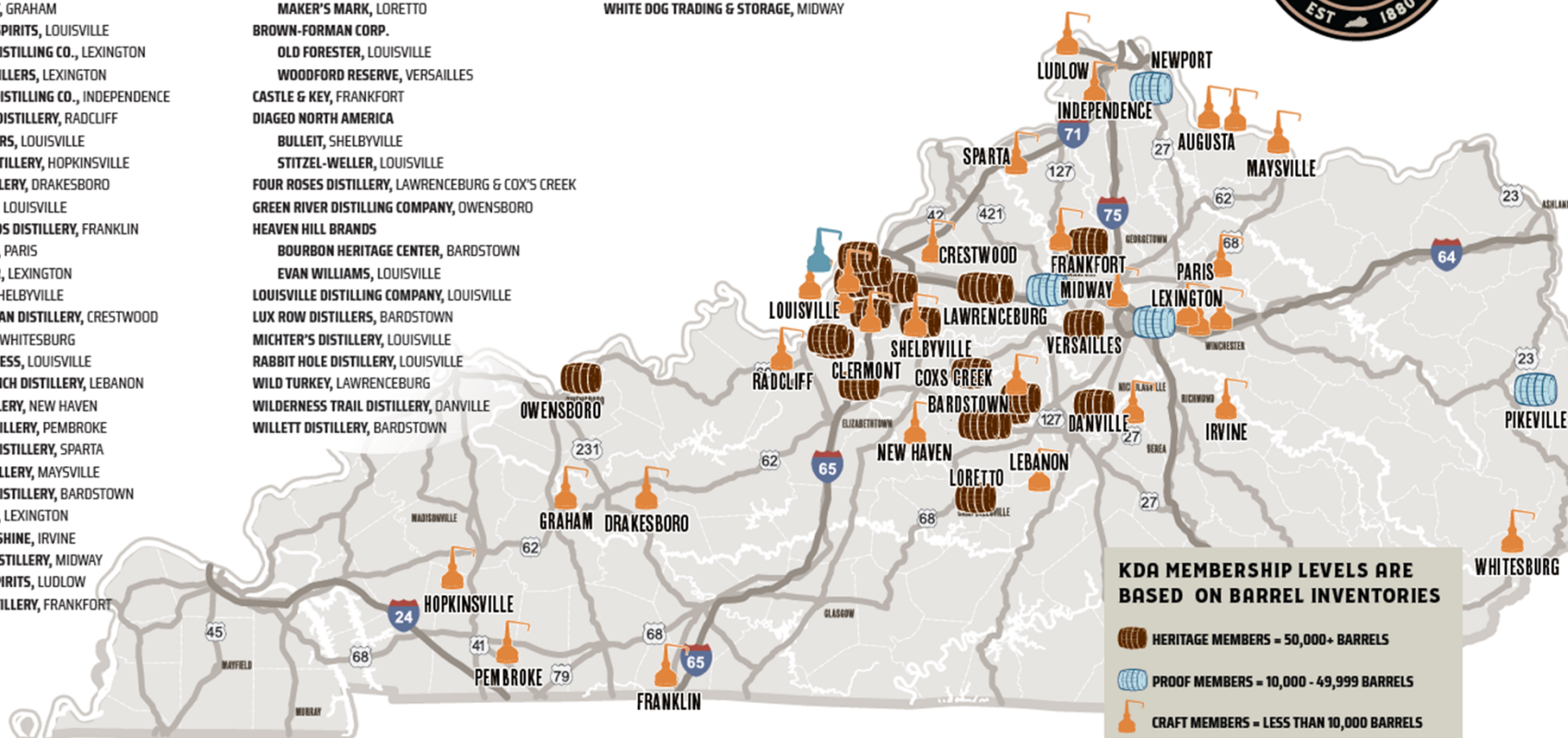
PROOF

DUELING BARRELS DISTILLERY, PIKEVILLE
 TOWN BRANCH DISTILLERY, LEXINGTON
 NEW RIFF DISTILLERY, NEWPORT
 WHITE DOG TRADING & STORAGE, MIDWAY



EDUCATIONAL

MOONSHINE UNIVERSITY, LOUISVILLE



PLEASE ENJOY RESPONSIBLY. KENTUCKY BOURBON TRAIL®, BOURBON TRAIL™ AND KENTUCKY BOURBON TRAIL CRAFT TOUR® ARE TRADEMARKS/SERVICE MARKS OF THE KENTUCKY DISTILLERS' ASSOCIATION.

INDUSTRY PARTNERS

Averitt, *Louisville*

Buzick Construction, *Bardstown*

CaskX, *Louisville*

Denios, Inc., *Louisville*

Fire Protection Services, *Louisville*

Frost Brown Todd, LLC, *Louisville*

Grandstand Glassware + Apparel, *Lawrence, KS*

Hepaco, *Charlotte, NC*

Joseph & Joseph Architects, *Louisville*

JCS Processing + Control Systems, *Rochester, NY*

Kelvin Cooperage, *Louisville*

Malteurop North America, *Milwaukee, WI*

McBrayer, PLLC, *Lexington*

Peggy Noe Stevens & Associates, *Louisville*

Saverglass, *Louisville*

Spirits 360 Solutions, *Siesta Key, FL*

Synterra Corporation, *Lexington*

Stoll Keenon Ogden, *Lexington*

UPS, *Louisville*

Vendome Copper & Brass Works, Inc., *Louisville*

Vitok, *Louisville*

INDUSTRY CHAMPIONS

Anyroad, *San Francisco, CA*

Blue & Co., *Louisville*

BRC Imagination Arts, *Burbank, CA*

Brindiamo Group, *Nashville, TN*

Independent Stave Company, *Lebanon*

Louisville Water Company, *Louisville*

Tapi USA, *Blue Bell, PA*



OFFICIAL PARTNER

INDUSTRY MEMBERS





OUR MISSION SINCE 1880

**Passionately and Responsibly Promote,
Protect & Elevate Kentucky's Signature
Bourbon and Distilled Spirits Industry**

WHY WE DO IT

To strengthen Kentucky's rightful title as the one, true and authentic home for Bourbon and distilled spirits.



95% of the World's Supply

2021-2022 Economic Impact Report



**THE PROOF IS HERE:
BOURBON POURS BILLIONS
INTO KENTUCKY ECONOMY**



\$9 billion
in economic output



More than **22,500**
good-paying jobs



\$1.23 billion
in payroll

83% growth in employment &
250% increase in wages over last 20 years alone

Average salary of **\$101,567**
– first time over \$100,000

Highest Taxed Major Industry



KENTUCKY TAXES DISTILLING HIGHER THAN ALL OTHER LARGE INDUSTRIES IN THE COMMONWEALTH

Distilling production & consumption generates **\$286 million** in local & state tax revenue annually

That's **\$179 million** (167%) more tax revenue for government annually versus 12 years ago

Kentucky distillers pay **\$1.8 billion** in federal alcohol taxes – more than any other state by far



Kentucky has **5th highest** Bourbon & spirits tax rate in America

Bourbon **21% tax rate** in KY – beer 8%, wine 3%

Kentucky Bourbon on a Roll

KENTUCKY HAS TWICE AS MANY BARRELS OF BOURBON THAN PEOPLE



All-time record of **10.3+ million barrels** of Bourbon aging – first time over **10 million**

Bourbon production has increased **435%** since turn of the century

Kentucky distillers filled record **2.4 million** barrels in 2020 – third year in a row topping **2 million** in production





Nearly **11 million** barrels of Bourbon and other spirits now gently aging in Kentucky – another record





THE PROOF IS HERE: BOURBON POURS BILLIONS INTO KENTUCKY ECONOMY

TWELVE YEARS OF MASSIVE GROWTH FOR KENTUCKY'S SIGNATURE BOURBON AND DISTILLED SPIRITS INDUSTRY

	2009	2021	INCREASE
 Distilleries	19	95	400%
Counties with a distillery	8	40	400%
Production (barrels filled)	794,091	2,437,603	207%
Bourbon inventory (barrels)	4,600,962	10,321,793	124%
 Total inventory (Bourbon + other spirits)	5,012,648	10,880,328	117%
Tax-assessed value of all barrels	\$893,432,418	\$4,426,588,619	395%
Tax-assessed property values	\$378,000,000	\$1,490,000,000	294%
 Barrel taxes paid	\$9,544,573	\$33,199,415	248%
Average Pay per Job	\$77,007	\$101,567	32%
Jobs Generated	9,848	22,538	129%
 Payroll	\$441,850,386	\$1,232,105,626	179%
Output	\$5,400,000,000	\$8,935,256,608	65%
Total Taxes Paid (Production & Consumption)	\$125,113,764	\$285,881,572	128%
Employment Spin-Off Factor	3.109	3.81	23%

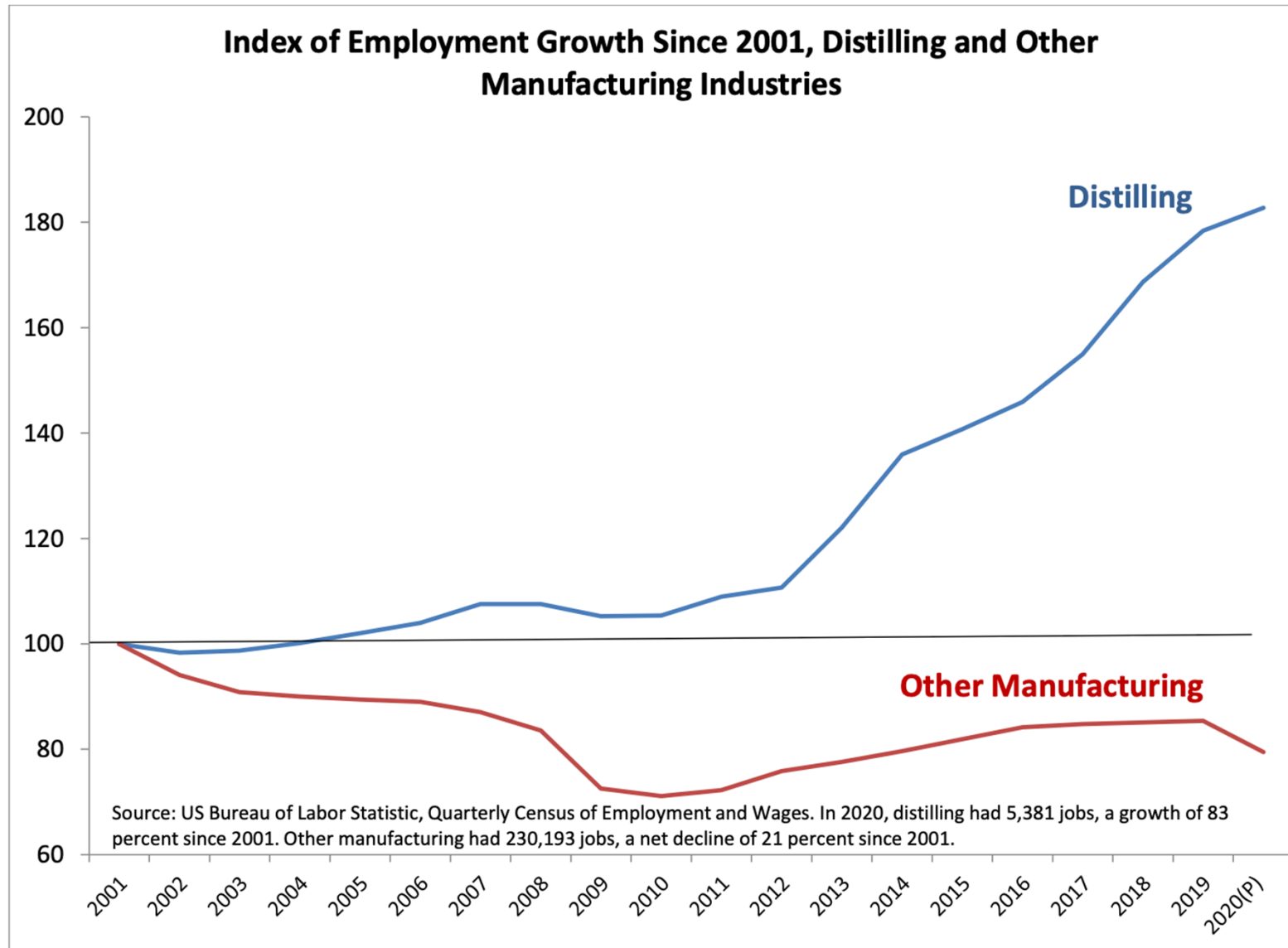
\$5.2 billion in capital projects completed or planned by 2025



Kentucky Bourbon on a Roll

- Kentucky distillers are in the middle of a \$5.2 billion building boom, including \$3.3 billion over the next five years.
- Distillers paid a record **\$33+ million** in barrel taxes in 2021, more than **triple** since 2009 (\$10.7 million).

Kentucky Bourbon on a Roll



THANK YOU!



Alcohol Fatigue?

The KDA recognizes change isn't without angst and controversy. Recently, the legislature has tackled several significant alcohol bills

We understand there is some level of "alcohol fatigue," but Kentucky laws are so outdated we have to continually adapt if Kentucky is to maintain its distilling dominance.



How Long Can the Boom Last?

Bourbon is more popular than ever and that is fueling incredible growth to benefit all of Kentucky.

But Kentucky Bourbon is facing *unprecedented challenges* at home and abroad.

- Exorbitant & anti-competitive taxes
- Trade wars & tariffs loom
- Global pandemic recovery & supply chain challenges
- Challenging regulatory environment
- Increased competition from other states



Exorbitant Taxes



Highest Taxed Major Industry

**34.4 Cents of Every \$1 of Output Goes to Taxes;
More than all other 536 Kentucky Industries**

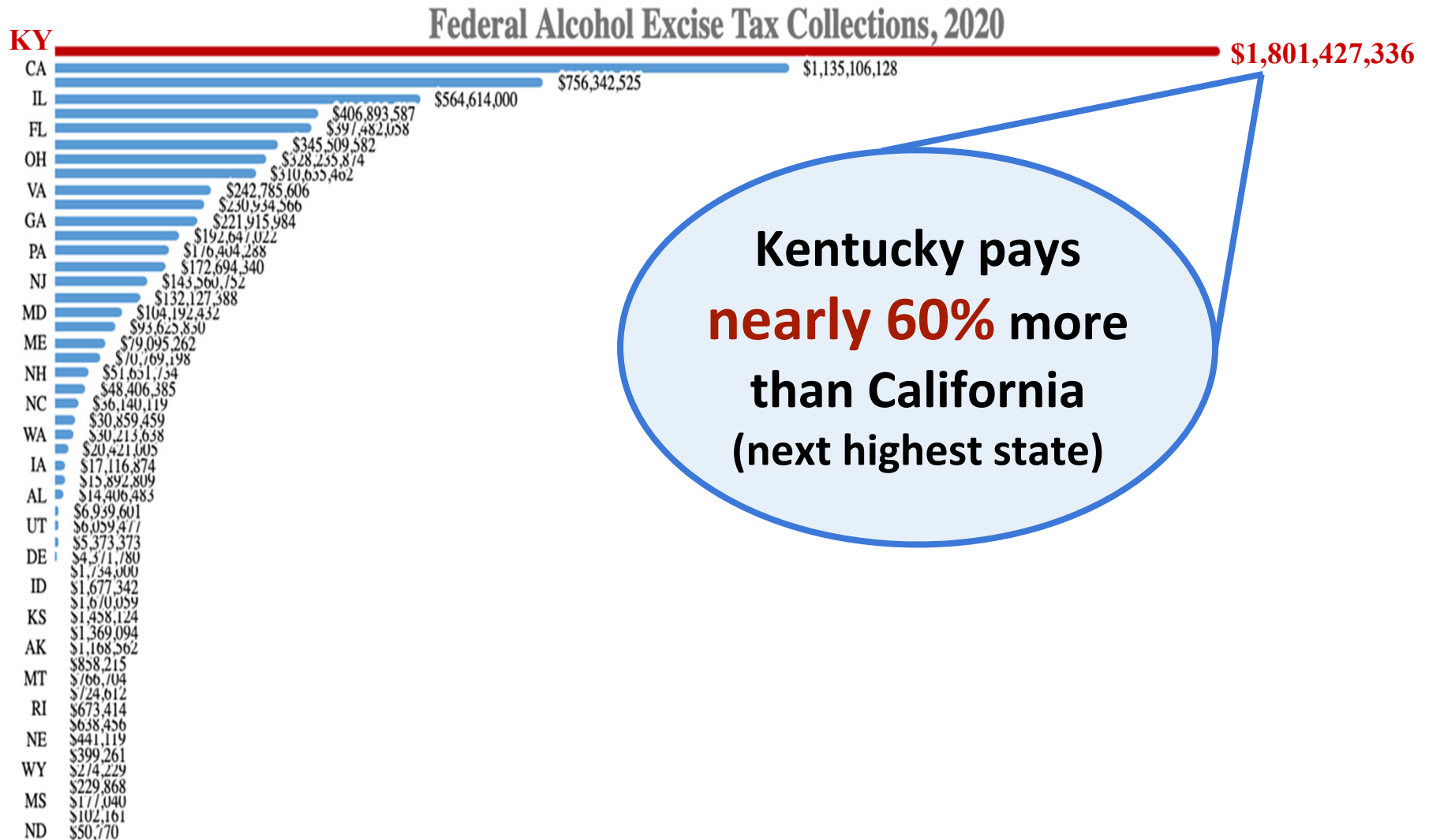
Seven different taxes on every bottle of spirits in Kentucky

1. Aging barrel tax (*local*) – rate by jurisdiction
2. Aging barrel tax (*state*) – \$.05 per \$100 value
3. Case tax (*state*) – \$.05 per case
4. State excise tax – \$1.92 gallon
5. Federal excise tax – \$13.50 proof gallon
6. State wholesale tax – 11% (*raised in 2005*)
7. State sales tax – 6% (*added in 2009*)

60%

of every bottle
of spirits goes to
taxes

Kentucky Distillers Pay More in Federal Alcohol Excise Taxes than any Other State



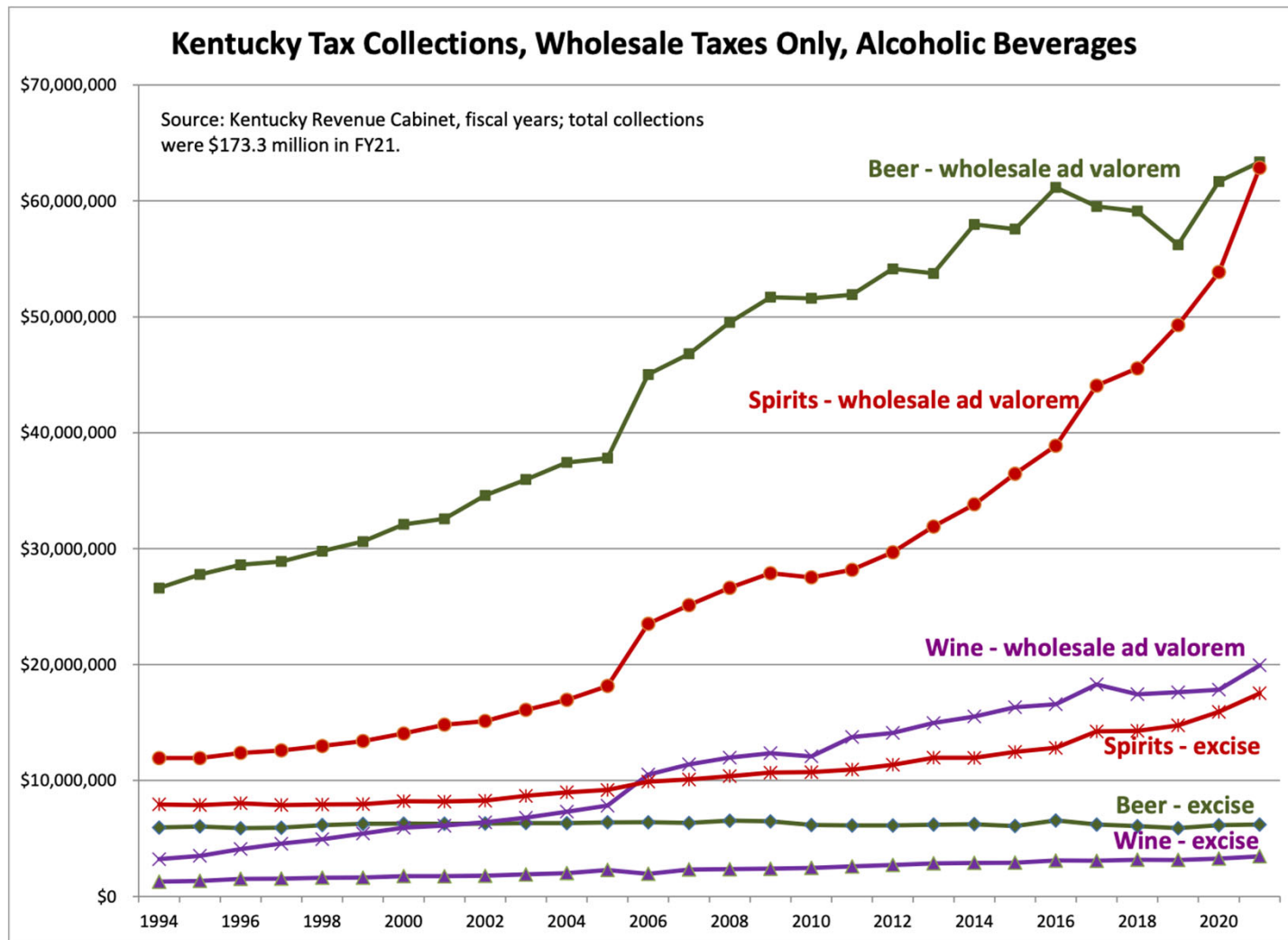


Why are Kentucky's Spirit Taxes so High?

- Kentucky created the wholesale tax in 1982 to capture sales tax being lost to bootleggers. Original rate 9%; raised to 11% in 2005.
- One of only two states with a wholesale tax in addition to excise tax (South Dakota – 2% wholesale tax). **So Kentucky taxes both volume and value!**
- General Assembly added 6% retail sales tax in 2009, therefore the sales tax is actually collected twice (taxing the taxes).
- Spirits also pay \$0.05 tax on every case sold in Commonwealth - beer and wine have no such case tax.
- Kentucky's high implied tax rate (excise tax + wholesale tax) does NOT include ad valorem "barrel tax" that ONLY Kentucky imposes on aging spirits!

Kentucky Wholesale Taxes on Spirits Skyrocketed to \$80.4 Million in FY 2021

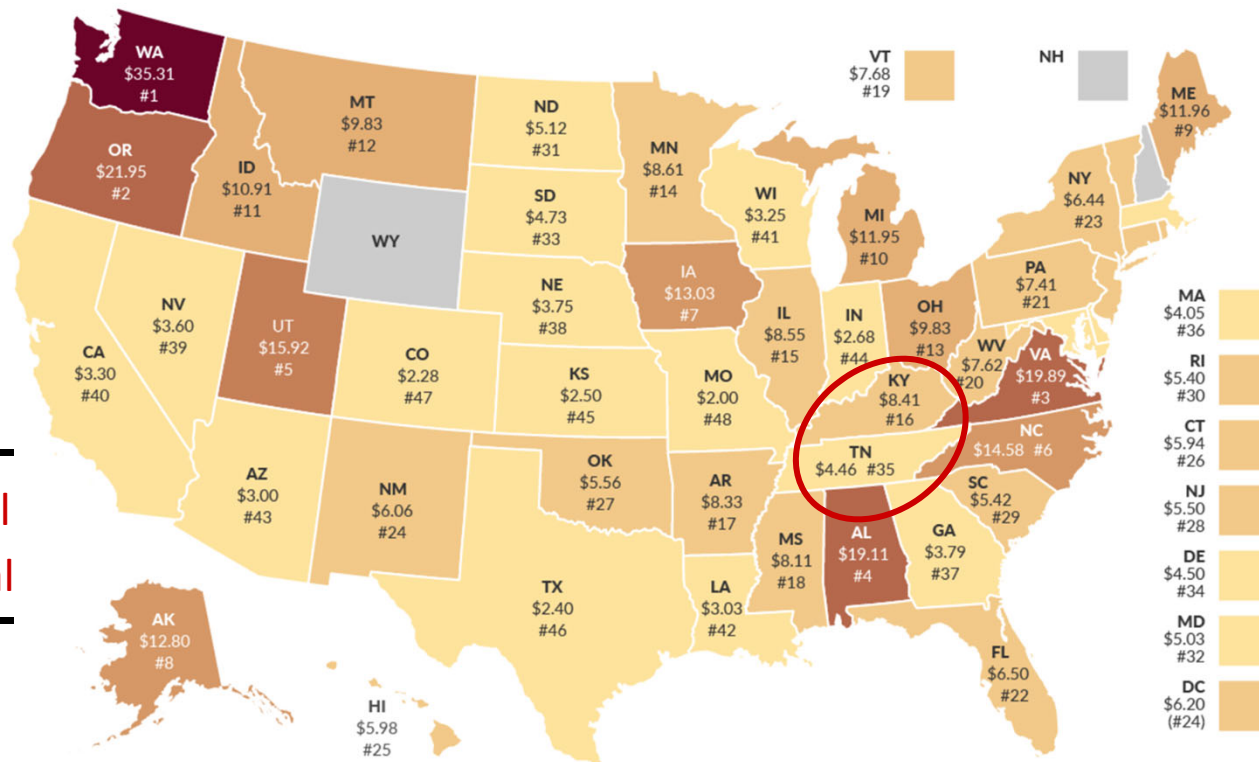
Only 1 of 2 states with a wholesale tax in addition to an excise tax



Kentucky Levies High Excise Taxes on its Signature Spirits Industry, Punishing Growth

Kentucky is 5th highest in spirit taxes among 33 open-market states

State Distilled Spirits Excise Tax Rates (Dollars per Gallon), as of January 2021



KY = \$8.41/gal

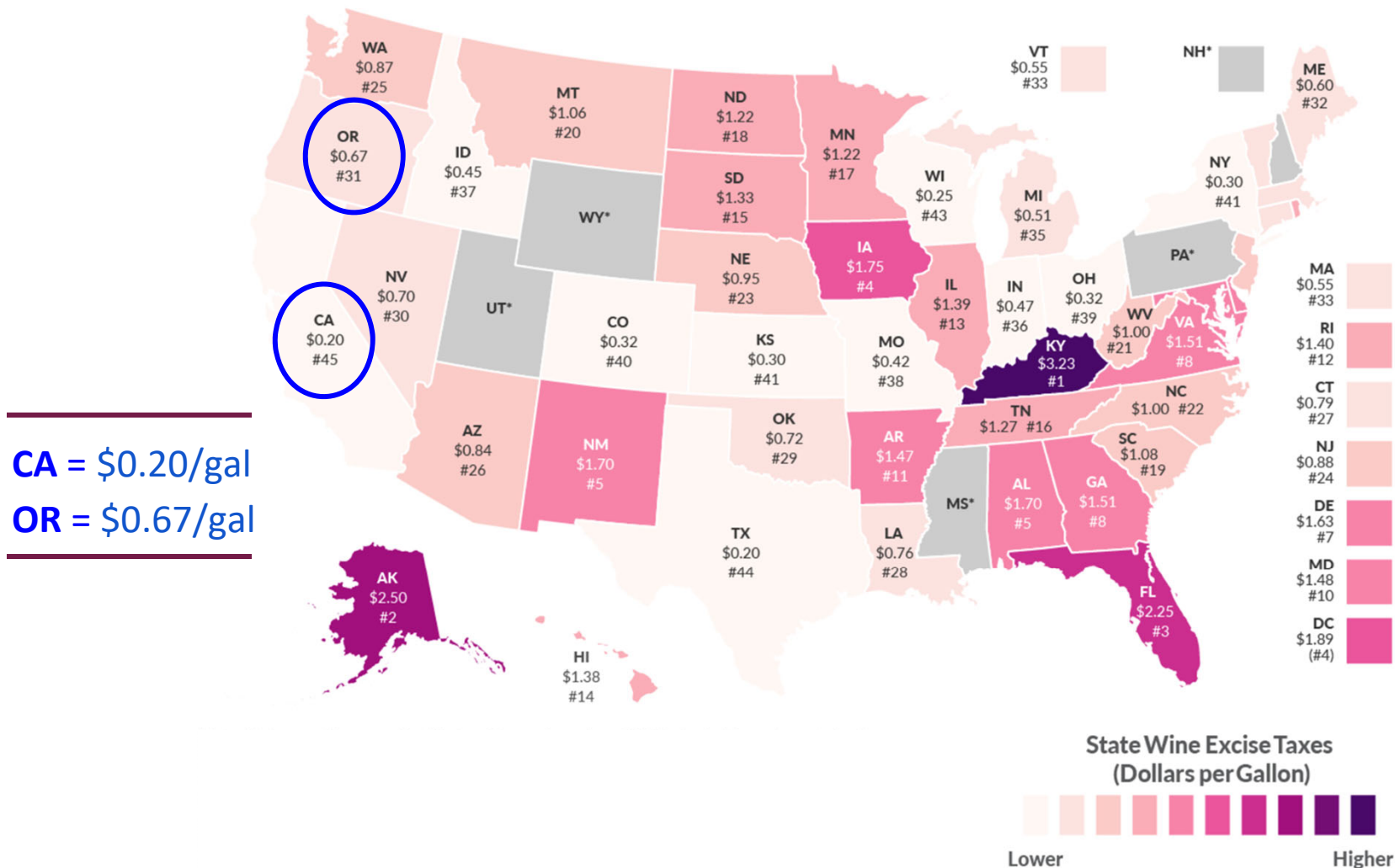
TN = \$4.46/gal

State Distilled Spirits Excise Tax Rates
(Dollars per Gallon)



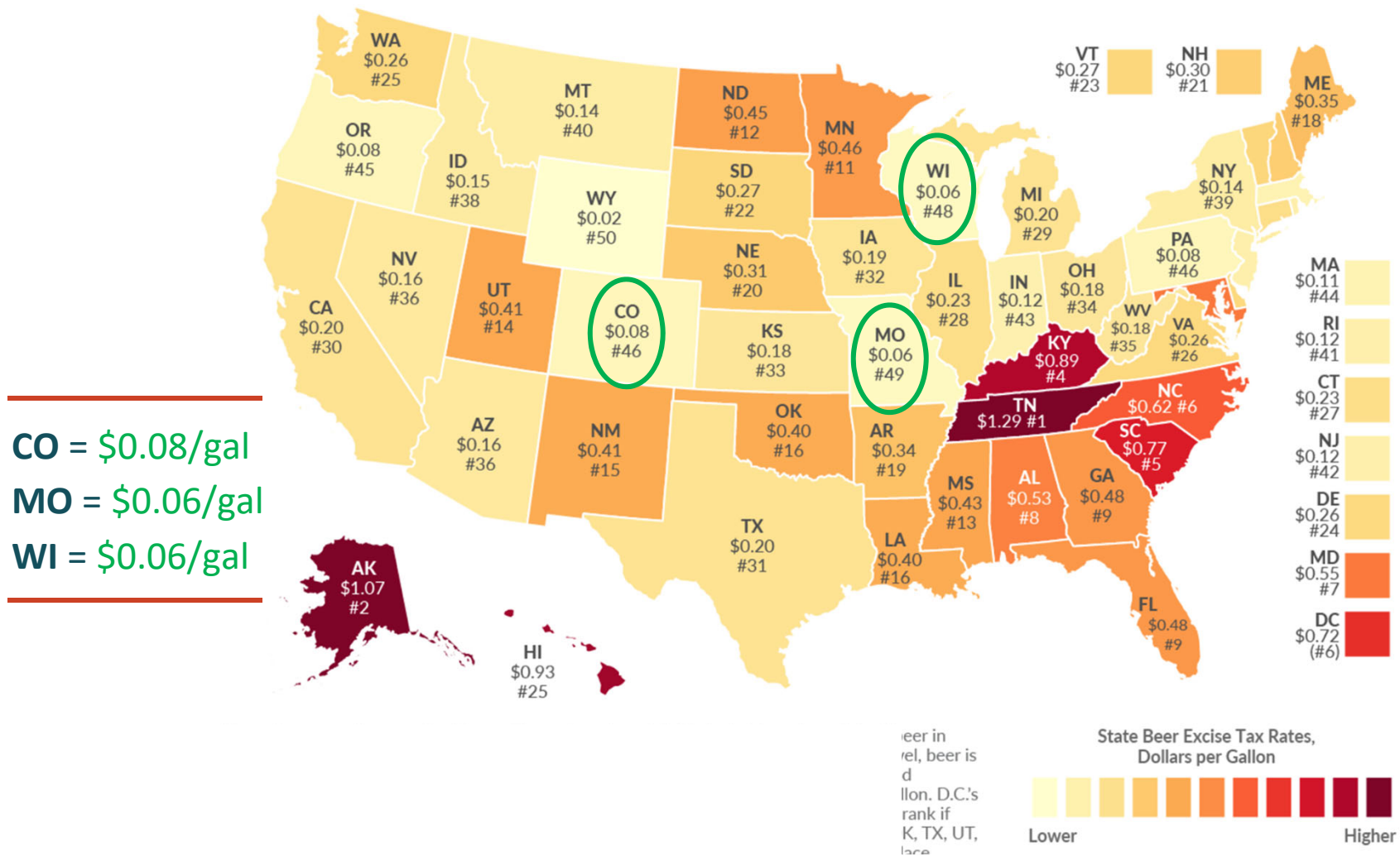
California, Oregon Tax their Signature Wine Industry among the Lowest in the Nation

State Wine Excise Taxes (Dollars per Gallon), as of January 2021



Colorado, Missouri, Wisconsin Tax their Signature Beer Industries the Lowest

State Beer Excise Taxes (Dollars per Gallon), 2021



COVID Disruption



COVID Disrupts Sales

Off-premise sales at liquor stores were **up 18%** in 2020 as more people imbibed safely at home.

But with restaurants and bars closed, on-premise sales **plummeted 44%** in 2020. That trend continued in 2021.

Kentucky Bourbon Trail® attendance **plunged 66% in 2020.**

Continuing COVID related challenges:

- Supply chain shortages in glass, barrels & malted barley
- Workforce shortages in hospitality / front of house

Trade Wars & Tariffs



Tariffs on Distilled Spirits

From 1997 to 2017 there were no tariffs on distilled spirits between the U.S. and the European Union.

Exports of Kentucky Bourbon grew 98% from 2010-2017.

The EU, Kentucky's largest global market, placed a 25% tariff on American Whiskey in June 2018. It was lifted in January 2022.

However, Kentucky Bourbon export values to the EU **nosedived 48%** during those tariffs.

Sales to the United Kingdom **plunged 50%**. The U.K. tariff was lifted in June 2022.

Competition



Kentucky Bourbon Under Threat



Tequila Takes U.S. Sales Lead

In 2020 in the U.S., agave-based spirits surpassed both the rum category by volume, as well U.S. whiskey's largest subcategory, Bourbon.

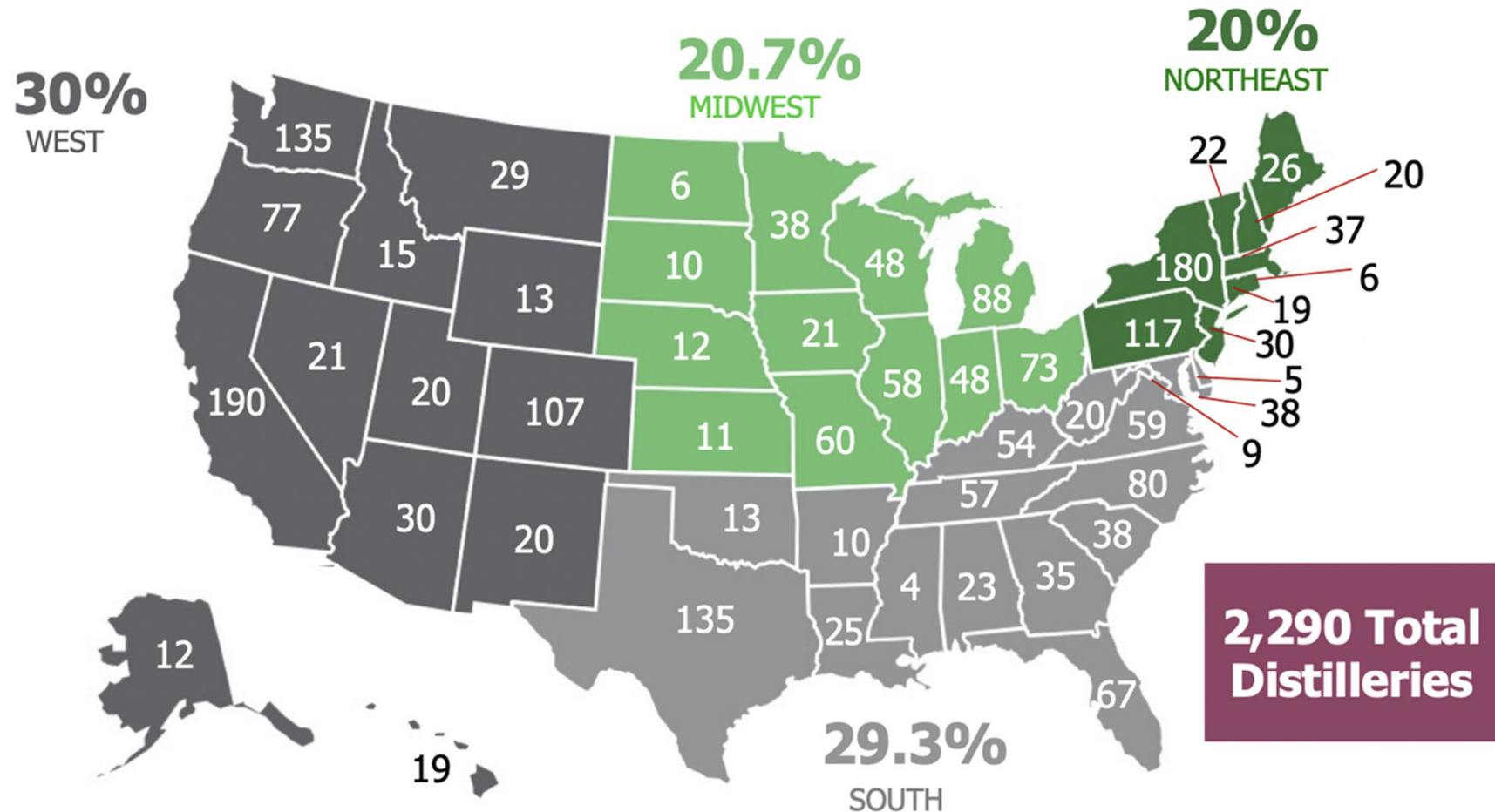
Agave-based spirits grew close to 20% in 2020, and while Bourbon's growth, at approximately 10%, was significant, it wasn't enough to outpace demand for agave spirits.

- *IWSR Drinks Market Analysis*

Active Craft Distillers by State and Region



of Active Craft Distillers by State and Region as of August 2021



Sources: TTB, ACSA, State ABC Boards, State Guilds, Team Analyses

© 2021 park street

American
CRAFT SPIRITS
ASSOCIATION

Other States Want What We Have

“Bourbon feels intrinsically connected to Kentucky. 95 percent of the juice on the market is made there. But bourbon does not have to come from Kentucky. When it comes to rules about location, the only one that matters is that it’s made in the U.S. **And with bourbon booming, barriers to entry decreasing, and craft distillers thriving, that “95 percent” number is starting to drop, as bourbon distillers pop up nationwide.**”

-- Christopher Osburn, Writer for Uproxx, Sept. 29, 2021

Would You Have Seen this Headline 10 Years Ago?

Drizly's Bestselling Bourbon Whiskeys From Outside Kentucky

Uproxx, September 29, 2021




Kentucky Bourbon Under Threat

Smooth Ambler Spirits ✓
Jun 14 · ⚙

There's a short list of ingredients that makes great Bourbon, and no, it doesn't include Kentucky. Happy National Bourbon Day!

SMOOTH AMBLER.

BOURBON IS BIGGER THAN KENTUCKY



The image shows two bottles of Smooth Ambler Bourbon. The bottle on the left is labeled 'CONTRADICTION' and features an elephant on the label. The bottle on the right is labeled 'Old Scout' and features a scout on the label. Both bottles are dark glass with black caps.

THE STATE OF BOURBON IS CHANGING.

Drastic temperature swings make Texas ideal for maturing our award-winning bourbon - layering it with flavor in just a few years. Step aside Kentucky, there's a new state of bourbon.



The image shows a bottle of Balcones Texas Pot Still Bourbon in the foreground. The bottle is dark glass with a black cap and a label that reads 'BALCONES TEXAS POT STILL BOURBON'. The background is a desert landscape with mountains and a sunset sky.

Smooth Ambler Spirits ✓
Jul 4 · ⚙

There's no better opportunity than Independence Day for us to show our American pride. Turns out bourbon is 'America's Native Spirit,' not just Kentucky's. [#July4th](#)



The image shows a bottle of Smooth Ambler Old Scout Bourbon and a glass of bourbon in the foreground. The bottle is dark glass with a black cap and a label that reads 'SMOOTH AMBLER Old Scout'. The glass is a tumbler glass filled with amber liquid. The background is an American flag.

Kentucky Bourbon Under Threat

Recent U.S. Patent and Trademark Office Filings

MARK WATCHED:BOURBON

**SELECTED MARK:BOURBON - MORE
MISSOURI THAN KENTUCKY**

CLASS(ES) WATCHED:ALL

INTERNATIONAL CLASS(ES):33

BOURBON - MORE MISSOURI
THAN KENTUCKY

OPPOSITION DEADLINE: JULY 28, 2022

SERIAL NUMBER: 90-897, 300

GOODS/SERVICES:

(INT.CL. 33) Distilled spirits

STATUS: PUBLISHED **PUB. DATE:** JUN 28, 2022

INTENT TO USE

PUBLISHED FOR OPPOSITION

FILED: AUG 23, 2021

PUBLISHED FOR OPPOSITION: JUN 28, 2022

APPLICANT:

DOGMASER DISTILLERY L.L.C.

210 ST JAMES ST

COLUMBIA, MISSOURI, 65201

UNITED STATES OF AMERICA

Kentucky Bourbon Under Threat

Recent U.S. Patent and Trademark Office Filings

MARK WATCHED:**BOURBON**

SELECTED MARK:**DON'T GET KY'D WITH
YOUR BOURBON**

CLASS(ES) WATCHED:ALL

INTERNATIONAL CLASS(ES):33

DON'T GET KY'D WITH YOUR
BOURBON

OPPOSITION DEADLINE: JULY 28, 2022

SERIAL NUMBER: 90-897, 343

GOODS/SERVICES:

(INT.CL. 33) Distilled spirits

STATUS: PUBLISHED **PUB. DATE:** JUN 28, 2022
INTENT TO USE

PUBLISHED FOR OPPOSITION

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DOGMASER DISTILLERY L.L.C.
210 ST JAMES ST
COLUMBIA, MISSOURI, 65201
UNITED STATES OF AMERICA

Kentucky is Falling Behind

- Number of distilleries in the U.S. grew 230% since 2015. *(TTB)*
- Kentucky is 12th in the number of distilled spirits permits in the U.S. *(TTB)*
- Top 11 states that have more distilleries than Kentucky: California, New York, Texas, Washington, Michigan*, Pennsylvania*, Colorado, Oregon*, Ohio*, Florida and North Carolina. *(*control state)*
- EVERY OTHER STATE taxes spirits production far lower than Kentucky.
- Other states have adapted quickly in changing laws, adding privileges and reducing fees to attract next generation of distillers, jobs, investment.



Other States are Becoming More Competitive

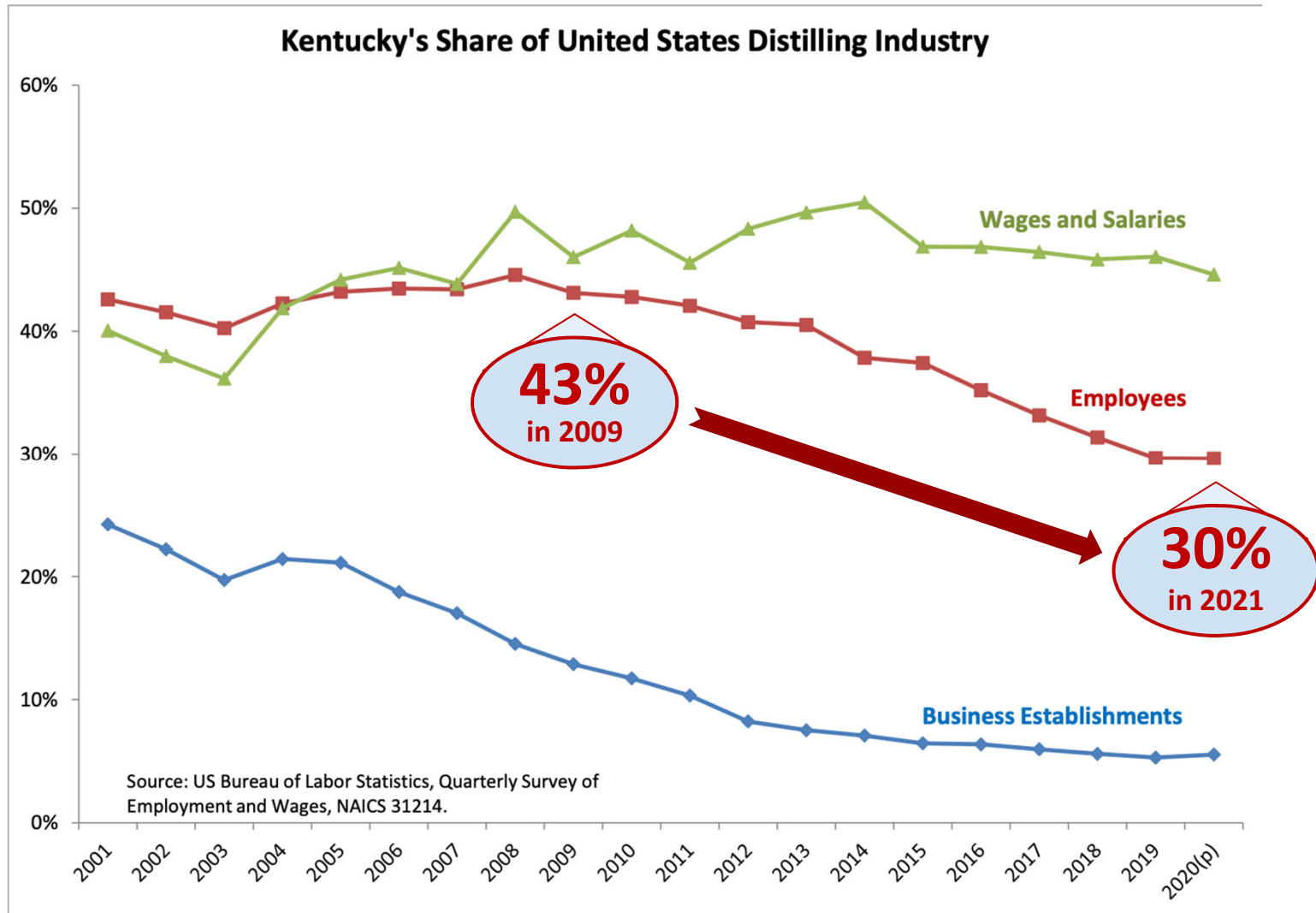


Florida passed legislation allowing unlimited bottle sales in gift shops and sales at farmer's markets, fairs and festivals. So did **North Carolina**.

South Carolina distilleries can now offer unlimited samples with food and up to 4.5 ounces per person for all other visitors.

Illinois and **Michigan** now allows distillers to self-distribute on a limited basis. Michigan distillers can even self-distribute exclusive & limited edition bottles!

Other States are Slicing into Kentucky's Share of Distilling Jobs



Tennessee Drawing a Line in the Sand

- Trying to lure Kentucky distillers across the border.
- No state income tax in Tennessee.
- No barrel tax on aging spirits in Tennessee; and their spirits tax rate is 70% lower than Kentucky.
- 104 licensed distilleries & growing. (TTB)
- Tennessee Whiskey Trail to compete with KDA's Kentucky Bourbon Trail® & Kentucky Bourbon Craft Tour®.
- Tennessee distillers & elected officials don't hesitate to brag about it.

Other States Want What Kentucky Has

“It’s time for
Kentucky bourbon
to move over and
follow our lead.”

-- Kris Tatum

Past President, TN Distillers Guild

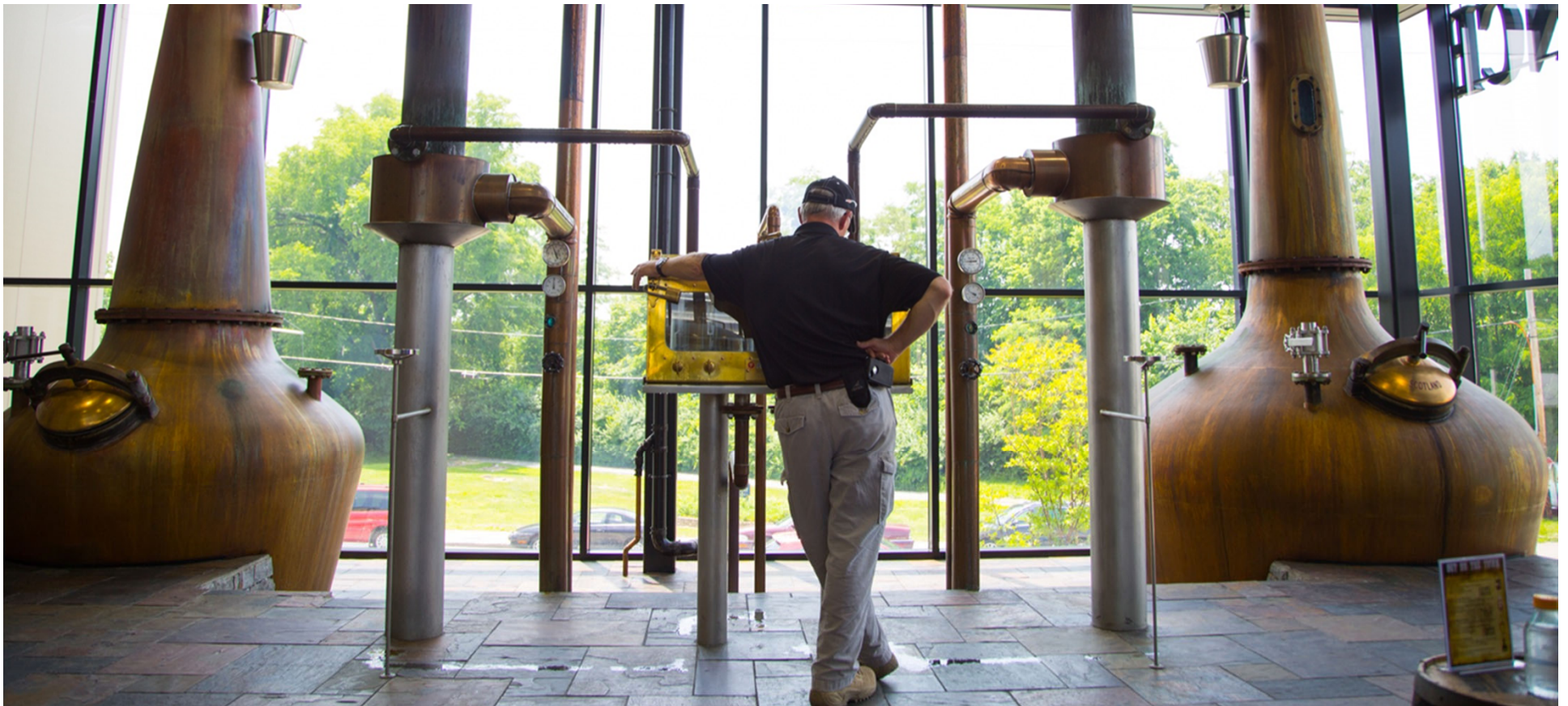
Manager of Old Forge Distillery



Kentucky Cannot Afford to Lose its Distilling Dominance

What if 95% starts to slip away?

We lose jobs, capital investment, tourism & tax revenue



How can Kentucky
Protect & Grow
its Signature
Bourbon Industry?



Remove Barriers to Entry

- Make the discriminatory barrel tax refundable -- or eliminate it while preserving local revenues.
- Reduce distilling's overall tax burden to keep it competitive with other states (i.e. wholesale tax).
- Provide parity with beer/wine and create a competitive Ready-to-Drink (RTD) tax rate.
- Remove regulatory obstacles that restrict growth and allows Kentucky to compete with other states.



What is the Barrel Tax?

- Distillers pay ad valorem property taxes at the state and local level each year on aging barrels in warehouses.
- No other place in the world taxes aging spirits - except Kentucky, which already over-taxes its signature industry.
- No other industry taxes a 'work in process.' Aging is part of the manufacturing of Bourbon and the it should not be taxed until it is a finished product.
- The overwhelming majority of barrel taxes are paid at the local level.



Kentucky Punishes Production

- 2021 set an all-time record with over 11 million barrels aging across the state. That's a 120% increase in production since 2009.
- More production = capital investment, jobs and tourism.
- Barrel taxes jumped from \$13.9 million in 2014 to a whopping \$33+ million in 2020 – an increase of 140% and rising.



No Other Industry is Taxed This Way

- Are Ford, Toyota & GM vehicles taxed as they roll down the assembly line?
- Are GE's dishwashers & refrigerators taxed as workers manufacture them?
- No, traditionally only finished goods are taxed.





The Barrel Tax Credit in 2014

- In 2014 the General Assembly *made the policy decision* to refund the discriminatory barrel taxes to the state's growing signature industry.
- HB 445 created the Bourbon Barrel Tax Reinvestment Credit.
- Since the vast majority of barrel taxes are paid at the local level, distillers were offered a non-refundable corporate income tax credit for amount of ad valorem barrel tax dollars paid in the previous year.
- Distillers must reinvest the credited dollars into certain capital improvements at their Kentucky facilities.




Why Doesn't the Credit Work Today?

- Initially, the barrel tax credit worked and distilleries reinvested the credits into facilities, boosting production, aging and tourism.
- However, the state corporate income tax rate was reduced in 2018, significantly lowering the potential credit pool.
- Barrel production has jumped 436%, which increased the barrel tax from \$13.9 million in 2014 to \$33.2 million last year– an increase of 140% and rising.
- There now are not enough credits available to offset rising barrel taxes – **some distillers are now only able to collect 30% of credit.**
- Credit is non-refundable, therefore the unused credit is not available to distillers, meaning less re-investment & fewer jobs created.

The Ask:

Monetize or Eliminate the Barrel Tax

- This **removes the barrier to entry** for new distillers wanting to establish their operations in Kentucky, thereby tapping into our intangible quality that “if you are making Bourbon, you better be doing it in Kentucky.”
- The KDA strongly supports making the Barrel Tax refundable or eliminating the tax and finding a creative solution to keep local community revenue whole.
- This will incentivize existing distilleries to continue investment.
- Bourbon is Kentucky’s signature industry and its capital investments and employment justifies the use of refundable or transferable credits, similar to film and historic preservation credits.

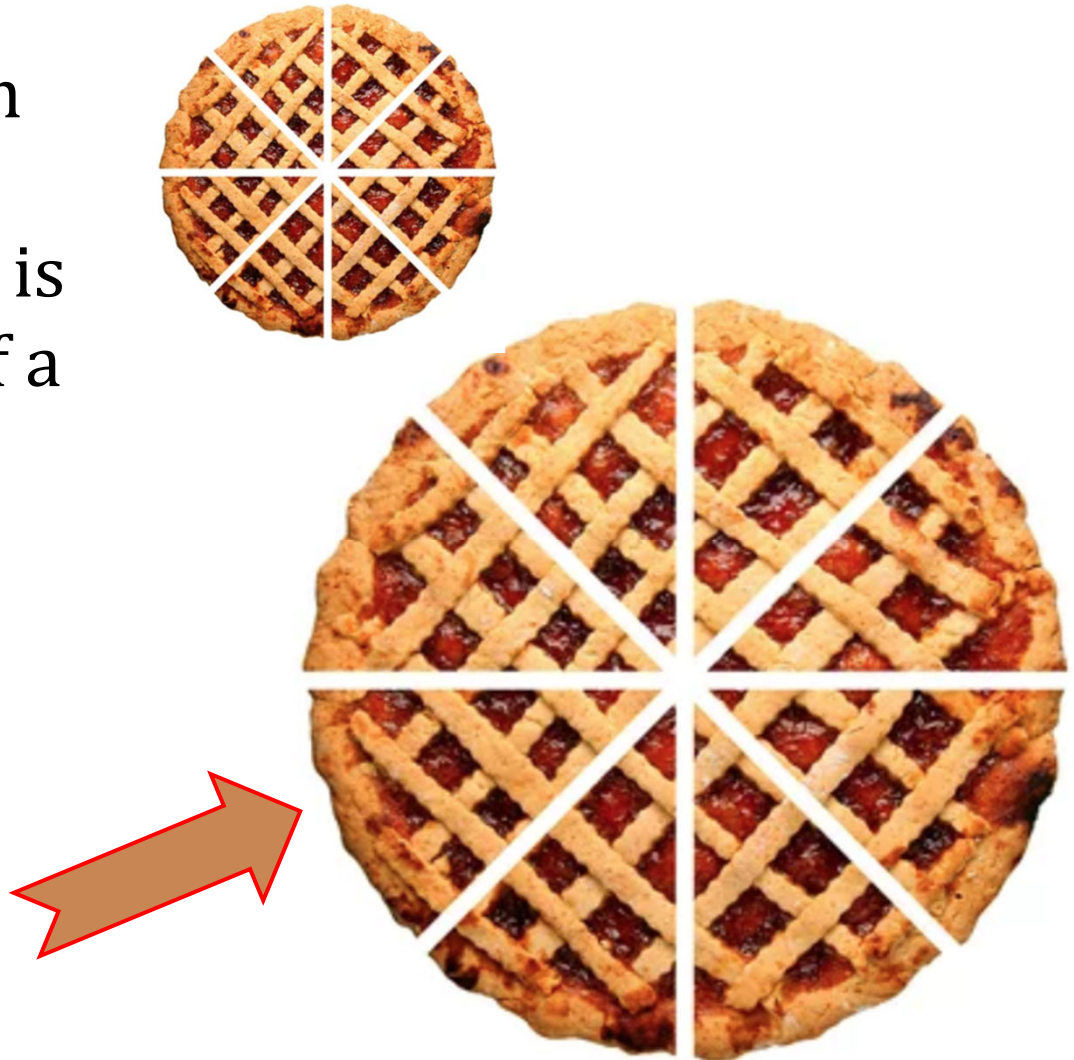
A high-altitude aerial view from an airplane window. The white wing of the aircraft is visible in the upper left, extending towards the top right. Below the wing, a winding river flows through a patchwork of green and brown fields. The horizon is visible in the distance under a clear blue sky.

**We must take a 30,000-foot
view of the Bourbon Industry to
create tax policy that protects
and grows it for future
generations**

Growing the Pie

Continuing to focus on protecting this **small** piece of local revenue is fighting over pieces of a smaller pie.

Instead, remove this barrier to entry and grow the pie for **all** partners.



Growing the Pie

Welcoming startup distilleries and taking full advantage of market preference for **Kentucky Bourbon** will:

- Increase the number of counties & communities with distilleries
- Create new jobs in rural & urban communities statewide
- Increase property tax values
- Increase employment
- Increase wages
- Create new business opportunities for local farmers and suppliers
- Bring new economic vibrancy through:
 - Tourism
 - Hotel investment
 - Airbnb renovations of existing underused properties
 - Restaurant and bar creation
 - Downtown revitalization including shops, experiences and events

Growing the Pie

Distilleries add numerous tax revenue sources for counties and communities:

- Overall property tax increases for improvements made
- Employment tax on new distillery and related employees
- Bed and restaurant taxes for local overnight accommodation for tourists
- Sales increases on purchasing at local shops, restaurants, bars, convenience and grocery stores
- New contracts and purchases from local farmers and suppliers

Bourbon Provides a Return on Investment

Bourbon tax revenue in Kentucky increased from \$107 million in 2009 to \$286 million in 2021
→ a 167% increase.



\$179 million in new tax revenue
+
Returning \$33 million in barrel taxes
= A great ROI for Kentucky

**The KDA encourages you to enjoy
Kentucky Bourbon and distilled spirits
responsibly and in moderation.**

