

# MIKE THOMPSON

1ST DISTRICT, CALIFORNIA

COMMITTEES:

AGRICULTURE

ARMED SERVICES



CONGRESS OF THE UNITED STATES  
HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515

DISTRICT OFFICES:  
1040 MAIN STREET, SUITE 101  
NAPA, CA 94559  
(707) 226-9898

317 THIRD STREET, SUITE 1  
EUREKA, CA 95501  
(707) 269-9595

POST OFFICE BOX 2208  
FORT BRAGG, CA 95437  
(707) 962-0933

CAPITOL OFFICE:  
415 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-3311

## Mike Thompson's Congressional Wine Report

Welcome to the first edition of *The Congressional Wine Report!* This newsletter is designed to keep you up-to-date on the latest legislative and regulatory developments in Washington, D.C. I hope you will find it informative and helpful. And as always, I welcome your comments.

Rep. Mike Thompson, November 15, 1999

### Wine Taxes

#### SOT Cut Proposed for Wineries, Retailers

A bill to repeal the Special Occupational Tax (SOT) on the sale of alcoholic beverages has been introduced. Currently in the House Ways and Means Committee, **HR 2735**, eliminates the SOT which was established in the 1860s to generate revenue for the Civil War. As of press time, the proposal is also contained in other measures before the House and Senate, including legislation to increase the minimum wage.

In 1987, the tax was increased by 1,000% for retailers and 200% for wholesalers. For producers, the tax rose from \$110 to \$1,000. I am a cosponsor of **HR 2735** because the tax is especially unfair to small retail stores and family wineries.

#### Thurmond, Speier Push Excise Increase

Senator Strom Thurmond (R-SC) has introduced legislation, **S. 432**, that will raise the federal excise tax on wine from \$1.07 to \$2.99. The tax was increased from \$.17 to \$1.07/gallon in 1990.

Additionally, **S.431** and **S.433** (Thurmond) would block the new, voluntary health labels for wine that President Clinton recently approved. Opponents object to the labels, which urge consumers to learn more about the "health effects of wine consumption," because the labels allegedly undermine the mandatory labels already affixed on wine bottles which warn of possible health risks.

Earlier this year, I organized a group of ten Members of Congress to write the two Senate Committee Chairmen considering these bills to ask for their assistance in defeating them.

In a related development, 22 Members of Congress signed a letter to California Gov. Gray Davis opposing an increase in the state's excise tax on wine. **SB 1100** (Speier) had initially sought the tax increase to fund domestic violence prevention programs. Ultimately, Sen. Speier decided to withdraw the wine tax proposal.

#### IN THIS ISSUE...

The Latest on Direct Shipping  
Industry Contributions -- By the Numbers  
International Wine News  
State and Local Wine News

Printed on recycled paper.

### Thompson Helps Form Wine Caucus

Seventy-eight House Members, seven U.S. Senators and I have teamed up this year to form the bipartisan, Congressional Wine Caucus.

As co-founders and co-chairs of the Caucus, Rep. George Radanovich (R-CA) and I work to keep other Members of Congress informed about wine industry issues and to provide information on American wines. We've also been introducing Members and Congressional staff to noted American vintners and industry leaders.

Specifically, we're opposing anti-direct shipping legislation, working to protect funding for the Market Access Program, helping to fight Pierce's Disease and addressing other industry concerns that are described within this Congressional Wine Report.



# Wine Trade

## OIV Dues in Budget

An amendment proposed by Reps. Mark Sanford (R-SC) and Tom Tancredo's (R-CO) to the Commerce, Justice and State appropriations bill, which would have prohibited the U.S. from paying the International Office of Vine and Wine (OIV) its \$80,000 a year membership fee, was withdrawn in the face of opposition from Wine Caucus members.

The OIV is an international body of government regulators representing the major wine producing and consuming countries. Through OIV, the BATF and FDA have worked on regulatory issues pertaining to wine and grape industries around the world.

The U.S. also works with other countries through the "New World Wine Producers," which recently met in Chile.

## Export Program Saved

Sen. Thurmond offered an amendment to the FY2000 Agriculture Appropriations Bill to prohibit the Foreign Agriculture Service from promoting the sale or export of alcoholic beverages under the Market Access Program (MAP). The amendment, however, was rejected in the bill's final version after considerable lobbying from other Wine Caucus members and me.

MAP is a cost-shared program that helps American farmers and producers promote agricultural products overseas. Wine exports have grown 400% under this program, yet the U.S. still holds just 3% of the world export market.

In contrast, the European Union spends more on wine promotion than the U.S. spends for all commodities combined.



## Future Looks Bright for Wine Trade

Ambassador Charlene Barshefsky, the U.S. Trade Representative, continues to demonstrate a good understanding of wine industry issues. Because of her involvement, China earlier this year agreed to reduce the tariff on wine from 65% to 20% by the year 2004.

Also, the U.S.T.R. has indicated that wine issues will be addressed at the W.T.O. conference to be held November 29th-December 3rd in Seattle. The industry is looking to the USTR to help eliminate tariff and non-tariff (i.e. labeling, marketing, winemaking, sanitary, etc.) barriers around the world for U.S. wine.

## From Lodi to India

LODI, CA -- In August, the House Agriculture's Subcommittee on Livestock and Horticulture met in Lodi for a hearing to address wine issues.

Witnesses from Robert Mondavi Winery, Kendall-Jackson Winery and the Wine Institute discussed direct shipping and the Internet, label health statements, viticulture and enology research and international trade issues. Reps. Radanovich, Doug Ose (R-CA) and I attended the hearing, which was conducted by Chairman Rep. Richard Pombo (R-CA).

INDIA -- During a congressional trip designed to enhance Indo-U.S. trade and security relations, I met with India Finance Minister Yashwant Sinha and pushed for collaborative efforts between U.S. and Indian winemakers.

India is one of the largest consumer markets in the world. We received assurances that India would review market access and incentive structures affecting the wine industry.

Wine Research

## Research Funding Increased

On October 22nd, President Clinton signed HR 1906, the Agriculture Appropriations Bill, which includes increased funding for targeted viticulture and enology research:

- UC Davis will receive \$250,000 for a new sustainable viticulture faculty position. The research will explore potential grape growing farming practices which enhance compatibility with soil, water, air, and biotic resources;
- Cornell University in New York will receive \$250,000 for its rootstock position;
- Idaho will receive \$450,000 for viticulture research;
- the Viticulture Consortium will receive \$1.1 million. The consortium supports targeted wine grape research projects throughout the country; and
- research on alternatives to methyl bromide will receive over \$14 million.

## Focus on Pierce's Disease

The FY2000 Agriculture Appropriations bill also directs U.S.D.A.'s Animal and Plant Health Inspection Services (APHIS) to work with the state of California to combat Pierce's Disease (PD), which is rapidly spreading across our state.

Additionally, USDA has allocated \$100,000 from its FY99 contingency fund for PD research. Carried by the Glassywinged sharpshooter from the Gulf Coast, PD not only sucks the juice of the grapes, but clogs the vines' water transport system with bacterial plaques that choke off the water supply and causes a quick death.

As co-chair of the Wine Caucus, I recently helped to organize a briefing for Members on PD. A California hearing may be held this winter to help coordinate federal and state eradication efforts.

## A.T.F. Update

These are three important wine-related issues pending at the U.S. Bureau of Alcohol, Tobacco and Firearms:

- the Center for Science in the Public Interest's petition urging modification of the current label standards so that the warning statement appears on the front label and be printed horizontally;
- the California Association of Winegrape Growers' petition regarding labels for naturally-flavored "wine specialty products" which may lead consumers to believe they are purchasing true California "varietal" wines; and
- Kendall-Jackson and members of the Coastal Alliance petition for a new appellation/viticultural area designation: "California Coastal".

### BY THE NUMBERS

America's 2,081 wineries (in 49 states) generate:

- 207,000 jobs  
(556,000 jobs directly and indirectly)
- \$3.2 billion paid in direct wages  
(\$12.8 billion directly and indirectly)
- \$12.4 billion added to the GDP  
(\$45.6 billion directly and indirectly)
- \$1.6 billion paid in state and local taxes  
(\$3.3 billion in total)

*From: "The Contribution of the Wine Industry to the U.S. Economy"  
Steve L. Barsby and Associates Inc.*

## Thompson Meets with Women for WineSense

This past spring, I conducted a meeting in the Capitol with members of the Yountville-based Women for WineSense (WWS).

The meeting was held to discuss our mutual commitment to ensuring that Americans have unbiased information about the social and health effects of moderate wine consumption. This information is critical to protect the duty and the right of individuals to be responsible for their own lifestyle decisions.

As evidenced by the well-attended meeting, there appears to be significant support for future meetings with WWS members in the D.C. area.

## Direct Shipping: A Legislative History

The direct shipping issue has been the most controversial wine-related issue before the Congress this year. Here is a brief summary of what has taken place on the Hill:

### • March 8, 1999

Forty-three Members of the California Congressional delegation send a letter to Gov. James Gilmore, Chair of the Electronic Commerce Tax Commission, urging him to consider a mechanism to collect excise taxes. (The commission was established by Congress to make recommendations on an equitable system of sales taxes on businesses engaged in Internet sales of goods and services. The commission is set to meet again in San Francisco this December.)

### • March 9, 1999

Rep. Radanovich and I testify at Sen. Orrin Hatch's (R-Utah) Senate Judiciary Committee hearing on direct shipping and underage access to alcohol.

### • March 10, 1999

Sen. Hatch introduces S. 577 which allows state attorney generals to seek an injunction in federal court to restrain out-of-state wineries from engaging in a violation of a state law regulating the importation or transportation of wine.

### • May 14, 1999

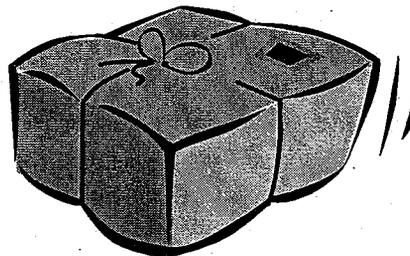
Sen. Robert Byrd (D-WV) incorporates the S. 577 language into a floor amendment to the Juvenile Justice Bill. Sen. Dianne Feinstein (D-CA) then offers an amendment requiring an adult signature on shipments of alcohol. Both amendments are subsequently adopted by the Senate.

*"1/2 of one percent [of all alcohol violations] have involved illegal sales to minors via home delivery"*

Manuel R. Espinoza, Deputy  
Director of California  
Alcoholic Beverage Control

### • June 7, 1999

Rep. Joe Scarborough (R-FL) introduces H.R. 2031, patterned after the Byrd amendment.



### • June 14, 1999

Rep. Scarborough offers H.R. 2031 as an amendment to the Juvenile Justice Bill. Rep. Radanovich and I offer an amendment similar to the Feinstein amendment. The House leadership rules that neither amendment will be considered.

### • July 20, 1999

H.R. 2031 is marked up in the House Judiciary Committee (although no public testimony is allowed). While significant "due process" provisions are added to the bill, Rep. Zoe Lofgren's (D-CA) amendment to limit its application to sales to minors is defeated.

### • August 3, 1999

H.R. 2031 is taken up on the House Floor. Reps. Lofgren, Lynn Woolsey (D-CA), Charles Rangel (D-MI), George Radanovich, Cal Dooley (D-CA), Lois Capps (D-CA), Peter DeFazio (D-OR), George Nethercutt (R-WA), Bart Gordon (D-TN), Kenny Hulshof (R-MO) and I speak against the bill.

The Goodlatte-Cox amendment (which prohibits the state law from unconstitutionally discriminating against interstate commerce by out-of-state sellers by favoring local industries, erecting barriers to competition, and constituting mere economic protectionism) is approved. The bill is adopted on a 310-112 vote.

### • Currently

H.R. 2031 is being considered as part of the Juvenile Justice bill, now before the conference committee. The liquor wholesalers state they are not opposed to the Goodlatte-Cox language. Controversial gun-control provisions in the underlying bill may delay final passage.

## Alcohol To Go On Carcinogen List?

The National Toxicology Program (NTP) within the U.S. Department of Health and Human Services may place alcoholic beverages on a list of known cancer-causing carcinogens.

However, Rep. Radanovich and I recently asked the General Accounting Office to conduct a study of the procedures utilized by the NTP. This is the first time the NTP has reviewed a food or beverage (its focus has traditionally been work-place hazards). Additionally, information supporting alcohol may have not been adequately considered.

The NTP conducted a hearing in October, at which it suggested that it may replace its listing of "alcohol" with "abusive alcohol." The dramatic differences in scientific evidence between excessive and moderate alcohol consumption may explain NTP's change of position.

The final NTP report is due to Congress in May of 2000.

For more information about these and other wine issues, please contact

**Rep. Mike Thompson**  
at (707) 226-9898 or  
m.thompson@mail.house.gov  
or Tom LaFaille at  
(202) 226-7370 or  
tom.lafaille@mail.house.gov

\*\*\*

*Many thanks to Alexandria Walton, our Intern, who assisted in the production of this Report.*



## Did You Know...?

### Jan. 21-27, 2001 May Be Zinfandel Appreciation Week

Sen. Feinstein and Sen. Barbara Boxer (D-CA) have introduced S.Res. 132 to honor the Zinfandel Grape during the week of January 21-27, 2001.

The resolution cites the historical significance of Zinfandel grapes among agricultural products of the United States. Zinfandel is thought to have originated in New England and brought to California during the Gold Rush. Today, there are more acres of Zinfandel in California than any other red grape.

The University of California's book of California Wine writes: "The Noble lines of California's Cabernet Sauvignon, Chardonnay, and Pinot Noir stem from their aristocratic forebears in Europe...Enter Zinfandel, the Horatio Alger of varietals, the 'true American.'"

## Anti-Drug Campaign Won't Include Underage Drinking

The House and Senate Appropriations Committees have rejected a proposed expansion of the national anti-drug campaign to include messages against underage drinking.

A proposal would have given the White House Drug Czar the authority to include alcohol abuse ads in the \$1 billion prime time campaign best known for the "your brain on drugs" commercials. Arguments against this proposal included:

- alcohol is a legal product;
- it would confuse a product having beneficial health effects with illegal street drugs;
- anti-alcohol messages would be splitting the few dollars available to fight drugs;
- an anti-underage drinking message requires a significantly different strategic approach than the anti-drug message.