

Unleashing the Healthful and Economic Power of Kombucha

Support S. 389/H.R. 1089

What is Kombucha and Why Do People Drink It?

- ❧ Kombucha is a fermented tea, naturally rich in probiotics and healthy acids.
- ❧ You can find kombucha at supermarkets, convenience stores, coffee shops and even on tap in popular restaurants.
- ❧ Consumers love kombucha for its great taste, health benefits, and as an appealing alternative to sugary beverages.
- ❧ Kombucha is low in sugar, calories and caffeine.

Economic Impact of Kombucha

- ❧ Kombucha is one of the fastest growing beverage categories, with an economic impact of more than \$600 million in 2015; projected to be \$1.8 billion by 2020.
- ❧ In the United States, more than 5,000 people work directly in the kombucha industry.
- ❧ Hundreds of regional brands produce and distribute kombucha locally.

The Trace Amount of Alcohol in Kombucha

- ❧ Alcohol is a naturally occurring byproduct of fermentation; therefore there is a trace amount of alcohol in kombucha.
- ❧ This amount is usually less than 0.5%, but because of the natural process of fermentation alcohol content may occasionally increase slightly.
- ❧ Beverages with more than 0.5% alcohol by volume (ABV) are subject to taxation under the Internal Revenue Code (IRC).
- ❧ Consumers **do not** buy and drink kombucha because of its small alcohol content.
- ❧ Because of the natural fermentation process, kombucha and beer are taxed the same way under the IRC, even though these products are not at all similar in composition or consumption.
- ❧ This unintended consequence unfairly taxes the kombucha industry, thereby jeopardizing industry expansion.

The Solution

- ❧ Amend the IRC to increase the ABV limit for kombucha to 1.25%, as called for by bipartisan legislation (S. 389/H.R. 1089) introduced by Sens. Ron Wyden and Cory Gardner, and Reps. Jared Polis, Scott Tipton, Earl Blumenauer and Greg Walden.
- ❧ This change would recognize the fact that natural fermentation may cause kombucha to slightly exceed 0.5% ABV.
- ❧ This fix would allow for the kombucha industry to grow—including new main street jobs and increased economic investments—without being hit with the excise taxes intended for beer.
- ❧ This legal change would harmonize American law with the law in Canada, the EU and Australia.

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