

Unleashing the Healthful and Economic Power of Kombucha

What is Kombucha, and Why Do People Drink It?

- Kombucha is a fermented tea, naturally rich in probiotics and healthy acids.
- Kombucha is low in sugar, calories and caffeine.
- Like other fermented foods, kombucha is raw but safe thanks to its acidic nature and trace ethanol that acts as a preservative.
- Fermented probiotic foods demonstrably improve immunity, which is needed during the pandemic.
- Kombucha can be found in a variety of locations: 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 beverage.

Economic Impact of Kombucha

- Kombucha remains one of the fastest growing beverage categories, with a market size of \$1.4B in 2020, projected to be \$5.25B in 2027. Growth is projected at 19.8% CAGR through the same period.
- In the US, the market size in 2020 at \$494M, with an economic impact of \$948M.
- Sales continued to increase throughout the COVID-19 pandemic.
- In the United States, more than 10,000 people work in the kombucha industry.
- There are over 600 kombucha companies in the US. Approximately 10 brands have national distribution and another 20 are multi-regional.

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.
- ABV is usually less than 0.5%, but because of the natural process of fermentation, alcohol content may increase slightly on the shelf.
- 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.
- Forcing kombucha into the beer category also requires it to carry the federally mandated alcohol warning label, which is not accurate for kombucha and would be misleading to the consumer.

The Solution

- Amend the IRC to increase the ABV limit for kombucha to 1.25%, as called for by bipartisan legislation (S. 892/H.R. 2124) introduced by Sen. Ron Wyden and Reps. Earl Blumenauer, and Brian Fitzpatrick.
- This change would recognize the fact that natural fermentation may cause kombucha to slightly exceed 0.5% ABV.
- This recognition is in line with laws in Canada, the EU, and Australia
- 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.

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