

KOMBUCHA ACT

Kombucha is a probiotic health drink generally produced by a combination of tea, water, and a symbiotic culture of bacteria and yeast (SCOBY). The kombucha industry is one of the fastest growing beverage categories with a current economic impact of \$600 million and expected growth to \$1.8 billion by 2020. An estimated 5,000-plus people work directly in the kombucha industry, with hundreds of regional brands that produce and distribute locally. The Keeping our Manufacturers from Being Unfairly Taxed while Championing Health Act (KOMBUCHA Act) would eliminate the unintended burdens of federal alcohol taxes and regulations on these growing businesses.

Under present law, fermented beverages containing 0.5 percent or more of alcohol by volume (ABV) are subject to federal alcohol excise taxes. In addition, taxable beverages are subject to extensive regulation including permitting of bonded premises, bonding requirements, formulation approvals, and regulation of distribution and sale.

As a result of the production process, it is common for nonalcoholic beverages, including soft drinks, to contain trace amounts of alcohol (often between 0.1 and 0.3 percent ABV). In the case of kombucha, these trace amounts are slightly higher, at as much as 1 percent ABV. At these levels, kombucha is a non-intoxicating beverage (a person would have to consume, for example, between five and ten bottles of kombucha to equal the alcohol in one beer). However, today's outdated federal tax rules still treat some kombucha as beer, and subject it to the related taxes and tax regulations.

The KOMBUCHA Act would eliminate these unintended burdens by increasing the applicable ABV limit for kombucha from 0.5 percent to 1.25 percent. Kombucha under that limit and meeting strict production requirements would be exempt from federal tax and related regulations. Kombucha would still have to meet the health and safety requirements generally applicable to nonalcoholic beverages.