

Congress of the United States
Washington, DC 20515

August 13, 2012

The Honorable Ron Kirk
United States Trade Representative
600 Seventeenth Street, NW
Washington, DC 20506

Dear Ambassador Kirk:

We welcome Canada's recent invitation to participate in the Trans-Pacific Partnership (TPP) negotiations. Both New York State and Washington State have a strong relationship with Canada is essential to economic development and job growth. We write to urge you to address a competitive trade barrier that is unfairly imposed by provincial governments in Canada against wineries in New York State, Washington State, and across the country.

A New Yorker visiting a Canadian winery is able to purchase and return with one liter of wine duty free, while each additional bottle is subject to a \$.21 federal tax and a \$.30 New York State tax. However, while a Canadian visiting a winery in New York can return with one and a half liters (two bottles) of wine duty free if he or she has remained outside of the country for over 48 hours, each additional liter is subject to a \$.62 federal tax in addition to provincial taxes imposed when the wine first enters Canada. For example, the Province of Ontario imposes a 39.6% excise tax on the value of the wine, causing a bottle of wine purchased in New York for \$10 to cost the purchaser over \$16. While these taxes are not a violation of NAFTA because they are imposed by the provincial governments, they are an unfair trade barrier for New York wineries in the Thousand Islands and Niagara region and lead to a significant loss of business.

Washington State and British Columbia both allow duty-free entry for a limited amount of wine brought back for personal consumption. For Washington State residents returning from Canada, the duty-free allowance is one liter. For British Columbia residents returning from the U.S., it is one and a half liters (two bottles). However, the treatment of wine volume beyond the duty-free limit is disproportional. Washington State assesses a \$.21 per liter tax on wine volume above the 1 liter limit. British Columbia however charges 85% of the retail value of the wine, plus other various fees, for wine brought back with the traveler from abroad. The total of these taxes and fees is capped at \$12.75 per bottle. For wine ordered at a winery for shipping back to the consumer upon returning home, British Columbia charges full taxes and markups as if the wine were being imported and sold through its government-run liquor stores. This amounts to as much as 123% in taxes and markup on top of the original amount paid for the wine. Moreover, shipped wine is not sent directly to the consumer but goes through the British Columbia Liquor Board's storage center and must be retrieved by the consumer. This is often a cumbersome and inefficient process. These policies and practices discourage Canadian consumers from purchasing more than two bottles of wine when visiting Washington wine country.

We view Canada's recent invitation to join the TPP negotiations as an opportunity to address this issue that is a burden on all our wineries and work to equalize the fees imposed on importations of wine. This unequal treatment threatens the economic competitiveness of wineries throughout the United States.

Thank you for your attention to this important issue. We look forward to hearing from you.

Sincerely,



Bill Owens
Member of Congress



Rick Larsen
Member of Congress



Louise Slaughter
Member of Congress



Tom Reed
Member of Congress



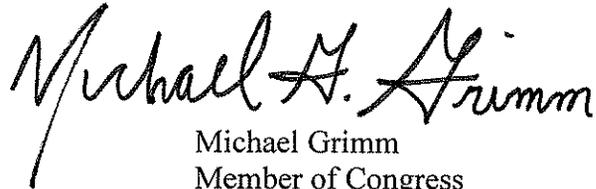
Cathy McMorris Rodgers
Member of Congress



Norm Dicks
Member of Congress



Paul Tonko
Member of Congress



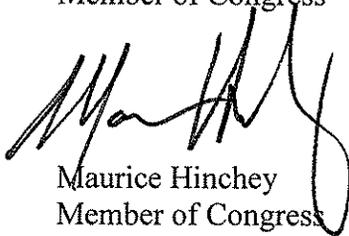
Michael Grimm
Member of Congress



Richard Hanna
Member of Congress



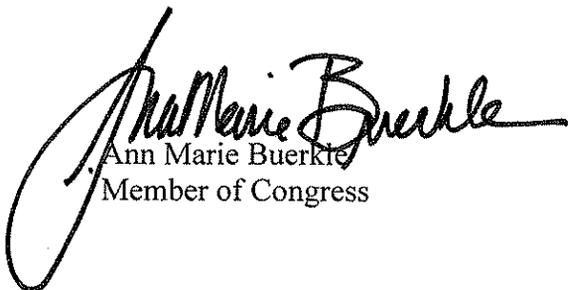
Timothy Bishop
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Maurice Hinchey
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