

# WAWGG FEDERAL UPDATES

April 2009



## National Wine & Grape Policy Conference



*WWC Executive Director Robin Pollard and WAWGG Executive Director Vicky Scharlau with Congressman Jim McDermott during the "Wines of America" reception.*

WAWGG representatives were in Washington D.C. last week for the 2009 Wine & Grape Policy Conference including Chairman Brenton Roy, Vice Chair Todd Newhouse, and Executive Director Vicky Scharlau. With national policy issues, TTB regulations, and legislative items up for discussion, a strong presence from Washington state was both important and productive as the group determined positions. "As the second largest producers of grapes in the U.S. our perspective is carefully considered by the other participants in the organization," said Chairman Brenton Roy. The three were joined by Wine Commission Executive Director Robin Pollard and Communications Manager Ryan Pennington. National position papers were distributed by each state to their delegation with joint letterhead from WineAmerica and the Winegrape Growers of America. See the position papers by clicking here: [www.wawgg.org/index.php?page\\_id=54](http://www.wawgg.org/index.php?page_id=54)

WAWGG made appointments with the entire Washington State congressional delegation and Roy pointed out that, "although national budget issues dominate in D.C. right now, it seemed clear that our delegation understood that Washington state wine is a net positive to the economy." Vice Chair Todd Newhouse added that "besides the importance of getting WAWGG and our state industry in closer touch with national issues and how the system works, the trip brought up issues to those in power that otherwise might not have been on their radar."

## In This Issue

NATIONAL WINE & GRAPE  
POLICY CONFERENCE

WGA ELECTS OFFICERS

AMERICAN APPELLATION  
PETITION

WASHINGTONIANS WITNESS  
NATIONAL CLEAN PLANT  
NETWORK AGREEMENT

WAWGG SEEKS SUPPORT FOR  
CURRENT LEGISLATION

+++++

## WGA Elects Officers

WAWGG board Chairman Brenton Roy has been elected Secretary/Treasurer of the Winegrape Growers of America board for 2009-2010. Other officers include Ron Bitner of Idaho as Chairman and Don Tones of New York as Vice Chair.

WGA serves as the national lobbying arm of the US wine grape industry and provides a forum for communication and exchange of information among member states. The organization allows wine grape growers a voice regarding policy issues in areas such as research, environmental concerns, wine taxes, international trade and government regulation.



*The WWC's Ryan Pennington and Robin Pollard join Todd Newhouse, Brenton Roy and Vicky Scharlau of WAWGG in presenting the WineAmerica award of appreciation to Washington Senator Maria Cantwell.*

In addition to meeting with each of the Congressional delegation, the group met with USDA officials from the Ag Research Service (ARS), Cooperative State Research, Education & Extension Service (CSREES), Animal and Plant Health Inspection Service (APHIS), the National Clean Plant Network, plus the Tax and Trade Bureau of the US Treasury (TTB), the Environmental Protection Agency (EPA). The larger group also had scheduled meetings with staff of the House Ag Committee, House Ag Appropriations Committee, House Ag Committee Horticulture and Organic Subcommittee and the Senate Ag Committee.



*WAWGG Executive Director Vicky Scharlau with Vice Chair Todd Newhouse and Chair Brenton Roy at USDA.*

### **WAWGG Seeks Support for Current Legislation**

WAWGG sent a letter to the Washington Congressional delegation asking for support on two pieces of legislation; the Conservation Easement Donation Tax Credit and Bonus Depreciation for Permanent Crops.

A conservation easement is a voluntary and legally binding agreement that limits certain uses of land and prevents certain development from taking place on the property in the future. Two years ago legislation was

approved to expand the caps on charitable deductions for donating a conservation easement on land to 100% of donor income for farmers and ranchers and 50% of donor income for all others. The previous cap was 30%. The legislation also extended the carry-forward period for such deductions from six years to 16 years. The six year provision expired at the end of 2007.

Legislation was introduced by Representative Mike Thompson (D-CA) and Representative Eric Cantor (R-VA) to permanently extend this helpful tax credit which allows moderate income donors to get a significant tax benefit from their valuable charitable gift. This tax reform is supported by WineAmerica and the Winegrape Growers of America as a necessary step to ensuring that ag lands remain in the hands of farmers and not developers.

Considered an oversight and not intentional, permanent crops were not included in the bonus depreciation provision of the Economic Stimulus Act of 2008, which provided for an additional first year depreciation deduction equal to 50% of the basis in the property for capital assets placed in service. The permanent crops like trees and vines producing fruits and nuts are not considered "placed in service" in the year planted but rather the year of their first commercially harvestable crop.

Rep. Mike Thompson (D-CA) and Rep. George Radanovich (R-CA) are introducing legislation to provide fair treatment for permanent crop growers to receive 50% bonus depreciation. Grape growers joined with tree fruit, citrus and nut crop groups to support the proposal that would change, for the purpose of bonus depreciation, the placed in service date for permanent crops to the date on which the crop is planted. This adjustment would grant growers equal treatment as other assets of similar capitalization life that were allowed in the stimulus package.

Many lenders are increasing requirements for equity investment in financing new vineyard development, making investment in promising market opportunities even more difficult. This bonus depreciation incentive will offset some of the distress from the overall financial crisis and allow growers to respond to market needs, such as changing varieties to better match consumer demand, replacing older varieties to adapt to changing water quality and water availability and updating vineyards to more efficient, productive plantings. The bonus depreciation is an incentive that compliments free market investment decisions to stimulate vineyard development.

### **American Appellation Petition**

WAWGG believes that wine labeled with American appellations of origin should be made with American wine. This principle is not implemented in the current version of TTB's labeling regulation (27 C.F.R. §4.25) and WAWGG, along with the California Association of Winegrape Growers, the New York Wine Grape Growers Association and the Oregon Winegrowers Association submitted a petition to TTB proposing revisions that would require wine labeled with an American appellation of origin be made entirely with American wine and for wines made from blends of American and foreign wine to be so labeled. Letters of support for the petition may be sent to the following contacts:

Mr. John J. Manfreda  
Administrator  
Tax and Trade Bureau  
[John.Manfreda@ttb.gov](mailto:John.Manfreda@ttb.gov)

Mr. Francis W. Foote  
Director, Regulations & Rulings  
Tax and Trade Bureau  
[Frank.Foote@ttb.gov](mailto:Frank.Foote@ttb.gov)

Ms. Karen Welch  
Regulations & Rulings  
Tax and Trade Bureau  
[Karen.Welch@ttb.gov](mailto:Karen.Welch@ttb.gov)

### **Washingtonians Witness National Clean Plant Network Agreement**

Specialty crop stakeholders from Washington State witnessed the signing of the National Clean Plant Network (NCPN) agreement by three U.S. Department of Agriculture agencies in Washington D.C. in March.

WAWGG Vice Chairman Todd Newhouse of Upland Vineyards and Executive Director Vicky Scharlau witnessed the signing of an agreement between the USDA's Animal and Plant Health Inspection Service (APHIS), Agricultural Research Service (ARS) and Cooperative State Research, Education and Extension Service (CSREES). The memorandum of understanding supports NCPN research, quarantine and outreach activities. Also in attendance were Tom Wessels, manager of WSDA's plant services program, Bill Howell and

Ken Eastwell of WSU's National Research Support Project-5, and Bill Nelson, president of WineAmerica.

The three USDA agencies will work closely together and with university, nonprofit and industry stakeholders to support NCPN activities including:

- Developing science to support pest-free status in plants by improving molecular diagnostic technologies, therapy and relevant taxonomy and systematic studies.
- Identifying plant diseases and supporting the disease-free status of plants in national plant germplasm collections.
- Developing methods and technologies to treat diseased plants.
- Establishing and supporting a general outreach program, including regional and specific plant/commodity centers, networks and working groups.

The NCPN is a collaborative venture composed of diagnostic, therapeutic and horticultural expertise. NCPN's goal is to ensure the availability of high quality propagated plant material that is free of plant pests, helping to ensure the global competitiveness of specialty crop producers. The NCPN promotes pest and disease free specialty crops, the rapid and safe introduction of new varieties from foreign sources and hygienic U.S. products for export.

### **WAWGG Seeks Support for Current Legislation**

WAWGG sent a letter to the Washington Congressional delegation asking for support on two pieces of legislation; the Conservation Easement Donation Tax Credit and Bonus Depreciation for Permanent Crops.

A conservation easement is a voluntary and legally binding agreement that limits certain uses of land and prevents certain development from taking place on the property in the future. Two years ago legislation was approved to expand the caps on charitable deductions for donating a conservation easement on land to 100% of donor income for farmers and ranchers and 50% of donor income for all others. The previous cap was 30%. The legislation also extended the carry-forward period for such deductions from six years to 16 years. The six year provision expired at the end of 2007.

Legislation was introduced by Representative Mike Thompson (D-CA) and Representative Eric Cantor (R-VA) to permanently extend this helpful tax credit which allows moderate income donors to get a significant tax benefit from their valuable charitable gift. This tax reform is supported by WineAmerica and the Winegrape Growers of America as a necessary step to ensuring that ag lands remain in the hands of farmers and not developers.

Considered an oversight and not intentional, permanent crops were not included in the bonus depreciation provision of the Economic Stimulus Act of 2008, which provided for an additional first year depreciation deduction equal to 50% of the basis in the property for capital assets placed in service. The permanent crops like trees and vines producing fruits and nuts are not considered "placed in service" in the year planted but rather the year of their first commercially harvestable crop.

Rep. Mike Thompson (D-CA) and Rep. George Radanovich (R-CA) are introducing legislation to provide fair treatment for permanent crop growers to receive 50% bonus depreciation. Grape growers joined with tree fruit, citrus and nut crop groups to support the proposal that would change, for the purpose of bonus depreciation, the placed in service date for permanent crops to the date on which the crop is planted. This adjustment would grant growers equal treatment as other assets of similar capitalization life that were allowed in the stimulus package.

Many lenders are increasing requirements for equity investment in financing new vineyard development, making investment in promising market opportunities even more difficult. This bonus depreciation incentive will offset some of the distress from the overall financial crisis and allow growers to respond to market needs, such as changing varieties to better match consumer demand, replacing older varieties to adapt to changing water quality and water availability and updating vineyards to more efficient, productive plantings. The bonus depreciation is an incentive that compliments free market investment decisions to stimulate vineyard

development.