Will Washington Put a 20% Tax on Coffee?

A Border Adjustment Tax (BAT) could mean a 15% or 20% import tax on coffee. That's why the NCA went to Washington this week to lobby against it.

Twenty-five NCA members met with Senate and House legislators and their staffs in 68 pre-arranged meetings. The two-day "Fly-In" brought a united industry message to Capitol Hill - green coffee should be exempt since, if enacted, a BAT would have a devastating impact on the U.S. coffee industry. The meetings reached a large majority of influential Congressional committees with tax-writing authority- 80% of Senate Finance Committee members and 75% of those on the House Ways & Means Committee.

As detailed here recently, a BAT would make profits from imports, as well as exports, taxable. It's included in the comprehensive Ryan-Brady tax reform framework to make the plan "budget neutral" by offsetting a reduction in the corporate tax rate from 35% to 20%. In a separate White House plan, the rate would drop to 15%, and Treasury Secretary Steven Mnuchin says a BAT is still on the table.

In effect, that's an across-the-board tariff of 15% or 20% on the raw material on which the industry relies. Since 99.9% of green coffee must be imported, the cost to the industry would be astronomical. Beyond the obvious burden on cash flow, a BAT could also impede imports of certain coffees, increase the price paid by consumers and stretch coffee farmers beyond the bounds of sustainability.
The Fly-In meetings were aligned with the districts in which participating member companies have their corporate offices or other facilities. That means the legislators met with their constituents, which makes for a more direct and personal message on the local impact of the BAT on the people and economies of their districts. The meetings also targeted legislators on influential committees, such as the House Ways and Means Committee and the Senate Budget Committee.

Of course, an overlay to the local impact is the overall contribution of the coffee industry to the U.S. economy. According to the NCA’s first-ever economic impact study - Understanding the Economic Impact of the U.S. Coffee Industry- the industry generates $225.2 billion in revenue a year, representing nearly 1.6% of the entire U.S. Gross Domestic Product (GDP). Also, the industry creates about 1.7 million jobs and contributes federal, state and local tax receipts totaling $28 billion annually.

While some around the Beltway are saying the BAT is unlikely to become law, the proposal is still very much in play. In fact, this week the House Ways and Means Committee held a full hearing on the BAT proposal. With that, the NCA has pulled out all stops to make sure the industry gets its voice heard and gains the support needed to avoid a nightmare scenario. Advocating for the industry's well-being is a key component of the NCA’s value proposition to members and the industry at large.

The meetings were well received, and our messages resonated strongly with legislators and their staffs. While it's impossible to predict outcomes, we'll continue to leverage our outreach as tax reform moves forward. We'll keep you posted as developments unfold.

Another threat to free trade may be on the horizon - rumblings about amending the North American Free Trade Agreement (NAFTA). The NCA will keep a close eye on this and other potential business challenges. And, we'll stay racked for immediate action.

Advocacy is part of our DNA, and we'll keep fighting for the industry's best interests. If you have questions about the NCA's government affairs program, please contact Joe DeRup at jderup@ncausa.org.

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