December 22, 2017

UPDATE: The Tax Cut Bill Signed Into Law

By
Richard M. Blau, Chair
Nationwide Alcohol Industry Team

This morning, President Donald Trump signed the tax cut bill into law. The bill, along with all the provisions detailed below, will take effect January 1, 2018.

Please contact the member of the nationwide alcohol industry team with whom you normally work with any questions.

December 20, 2017

NEWS FLASH

The Tax Cut Bill Heads to the President's Desk

The Impact on the Alcohol Industry

Today the U.S. House of Representatives again passed the tax cut bill (H.R. 1), which was approved by the Senate earlier this morning. It now heads to President Donald Trump who is expected to sign the bill into law once it goes through the enrollment policy. Most of the new law's provisions, including those of special interest to the alcohol industry, will take effect on January 1, 2018.

How does this affect your industry?
The bill contains the tax related provisions of the Craft Beverage Modernization and Tax Reform Act, which includes a reduction in the Federal Excise Tax for craft distilleries, breweries and wineries.

- **For the distilling industry**, The rate will drop from $13.50 to $2.70 for the first 100,000 proof gallons. This new tax legislation reduces the federal excise tax on distilled spirits producers for the first time since the Civil War, which will apply to more than 1,300 distilleries currently operating across America. Perhaps even more importantly to the distilling segment, this landmark legislation creates a more level tax structure for distillers, brewers, winemakers and importers of alcohol beverage products by equalizing the federal excise tax on spirits, beer and wine for the first 100,000 proof gallons. The new law also provides for the same in-bond treatment of spirits transferred in bottles as for beer and wine, and exempts the spirits aging process from interest expense capitalization rules.

- **For the brewing industry**, the federal excise tax on beer will be reduced to $3.50/barrel (from $7/barrel) on the first 60,000 barrels for domestic brewers producing less than 2 million barrels annually, and reduced to $16/barrel (from $18/barrel) on the first 6 million barrels for all other brewers and all beer importers; the new law maintains the current $18/barrel rate for barrelage over 6 million. Of importance to brewers, the new law also increases collaboration between brewers by permitting transfer of beer between bonded facilities without tax liability.

- **For wineries**, The legislation would: (i) eliminate the existing phase-out based on production size and allow all wineries to claim a credit of between $0.535 and $1 per gallon on the first 750,000 gallons of production, while providing for a an increased total credit ceiling of up to $451,700 per winery, based on producing the full 750,000 gallons; (ii) Allows sparkling wine to qualify for these new tax credits; (iii) Increase the Alcohol by Volume (ABV) allowed for the $1.07 tax rate from 14% to 16% ABV (wines with 14% to 16% ABV currently are taxed at $1.57 per gallon and would be taxed at the still wine rate of $1.07); and (iv) increase the carbonation allowed in certain low alcohol wines (8.5% ABV or less) taxed at the $1.07 rate from .392 to .64 grams of carbon dioxide per hundred milliliters.

The alcohol industry components of the new tax legislation will go into effect beginning January 1, 2018 and run through December 31, 2019 with reauthorization necessary in subsequent years.

Stay tuned for further updates from GrayRobinson's Nationwide Alcohol Industry Team.