

TTB STARTS 2018 WITH GUIDANCE ON HOW TO PAY FET USING NEW ALCOHOL TAX RATES



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2018 has arrived, and the new year is starting off strong for the alcohol industry and those who regulate it. First up – learning how to implement the new Federal Excise Tax rates implemented under the Tax Cuts and Jobs Act of 2017 (Public Law No. 115-97).

The White House signed the tax legislation on December 22, 2017, making several changes to the federal excise tax rates imposed on beer, wine and distilled spirits. Within the omnibus tax bill are the “*Craft Beverage Modernization*” provisions, which cut federal excise taxes on alcohol producers, particularly small brewers. The changes will last until to 2019, at which point they will be subject to renewal:

- The new law reduces the beer tax from \$7 to \$3.50 per barrel on first 60,000 barrels and \$18 to \$16 per barrel on the first six million barrels.
- The law changes the distilled spirits/liquor tax rate from a fixed scale to a tiered system. It lowers the current liquor tax rate from \$13.50 to \$2.70 per proof gallon on the first 100,000 proof gallons. Taxes increase to \$13.34 on the next 22.1 million gallons. Anything above that is taxed at the current rate of \$13.50.
- The new law extends wine tax credits to all domestic wineries, whereas the credits previously were limited to small producers; the tax credit ranges between \$0.54 to \$1.00 per gallon.

NOTE that the new tax rates, which became effective January 1, 2018, **do not** apply to any wine, beer, or distilled spirits covered by an industry member’s 2017 annual tax return. HOWEVER, because the new tax law went into effect on January 1st, the U.S. Alcohol and Tobacco Tax and

Trade Bureau has moved quickly to advise industry members on how best to comply with the changing tax rates.

TTB created a new Web page on its official Website containing the agency’s initial guidance on changes resulting from the new tax law. The new TTB Web page, which includes guidance as well as answers to generally asked questions categorized by industry segment, is accessible online [here](#), and has a URL address of <https://www.ttb.gov/alcohol/craft-beverage-modernization-and-tax-reform.shtml>

A related Web page contains tax rate charts, also categorized by industry segment. For example:

Applies to Calendar Years 2018-2019

Tax Rates for Beer that is Removed or Imported During Calendar Years 2018 and 2019*		
	Barrels per Calendar Year	
	First 60,000	Over 60,000 up to 2,000,000
Beer removed by Domestic Brewer who brews 2,000,000 barrels or less per calendar year	\$3.50	\$16.00
	First 6,000,000	Over 6,000,000
Other Beer	\$16.00	\$18.00

* Additional rules apply. See the text of the [implementing law](#) for full details.

Tax Rates for Distilled Spirits Removed or Imported During Calendar Years 2018 and 2019*		
	Proof Gallons per Calendar Year	
	First 100,000	Over 100,000 up to 22,230,000
	\$2.70	\$13.34
		Over 22,230,000
		\$13.50

* Additional rules apply. See the text of the [implementing law](#) for full details.

Tax on Wine that is Removed or Imported During Calendar Years 2018 and 2019*				
	Wine Gallons per Calendar Year			
Tax Class	First 30,000	Over 30,000 up to 130,000	Over 130,000 up to 750,000	Over 750,000
Still Wine				
16% and under alcohol by volume (0.392g CO2/100mL or less)	\$0.07	\$0.17	\$0.535	\$1.07
Over 16 - 21% alcohol by volume (0.392g CO2/100mL or less)	\$0.57	\$0.67	\$1.035	\$1.57
Over 21 - 24% alcohol by volume (0.392g CO2/100mL or less)	\$2.15	\$2.25	\$2.615	\$3.15
Mead No more than 0.64g CO2/100mL; derived solely from honey and water; containing no fruit product or fruit flavoring; and containing less than (not equal to) 8.5% alcohol by volume	\$0.07	\$0.17	\$0.535	\$1.07
Low alcohol by volume wine No more than 0.64g CO2/100mL; derived primarily from grapes or from grape juice concentrate and water; containing no fruit product or fruit flavoring other than grape; and containing less than (not equal to) 8.5% alcohol by volume	\$0.07	\$0.17	\$0.535	\$1.07
Artificially Carbonated Wine				
Over 0.329g CO2/100mL - injected or otherwise added	\$2.30	\$2.40	\$2.765	\$3.30
Sparkling Wine				
Over 0.329g CO2/100mL - naturally occurring	\$2.40	\$2.50	\$2.865	\$3.40
Hard Cider				
No more than 0.64g CO2/100mL; derived primarily from apples/pears or apple/pear juice concentrate and water; containing no other fruit product or fruit flavoring other than apple/pear; and containing at least 0.5% and less than (not equal to) 8.5% alcohol by volume	\$0.164	\$0.17	\$0.193	\$0.226

* Additional rules apply. See the text of the [implementing law](#) for full details.

These charts are accessible [here](#), and have a URL address of https://ttb.gov/tax_audit/atftaxes.shtml. TTB has pledged to update its new Web page with additional guidance and information over the coming weeks.

For now, TTB advises industry members to pay 2018 federal taxes using the existing 2017 tax remittance forms (**TTB Form 5000.24** or **TTB Form 5000.24sm**), either on paper or through pay.gov. Additional directions will be posted on the agency's dedicated Webpage as they are issued.

For more information, please contact GrayRobinson's Nationwide Alcohol Industry Team by telephone at **(866) 382-5132**, via e-mail at beveragelaw@gray-robinson.com, or via our Website at: <http://www.gray-robinson.com/alcohol-beverage-practice>