



# New Tax Bill Includes Significant Changes to Federal Alcohol Excise Taxes

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On Wednesday, December 20, 2017, Congress passed H.R. 1, commonly known as the Tax Cuts and Jobs Act (the "Act"), and President Trump signed the Act into law on Friday, December 22nd. The Act makes significant changes to individual and business tax rules, and we invite you to read Williams Mullen's update [here](#). Of interest and benefit to the alcoholic beverage industry, the Act includes the Federal excise tax reductions and certain other changes proposed in the Craft Beverage Modernization and Tax Reform Act (the "CBA") (H.R. 747 / S. 236). It is important to note that these CBA tax reductions and changes are, at present, only effective for 2018 and 2019 and will "sunset" after December 31, 2019.

Key excise tax reductions and changes include:

- A reduction in the rate applicable to spirits from a flat \$13.50 per gallon produced or imported to a tiered rate of \$2.70 per gallon for the first 100,000 gallons produced or imported; \$13.34 per gallon between 100,000 gallons and 22,130,000 gallons produced or imported; and \$13.50 per gallon above 22,130,000 gallons produced or imported.
- An expansion of the excise tax credit for wineries by repealing the phase-out of the credit based on production size. This will allow all wineries to claim the credit based on the first 750,000 gallons of production. Sparkling wine will also now qualify for the credit.
- An increase of the ABV limit to qualify for the lower excise tax on wine from 14 percent to 16 percent.
- A reduction in the excise tax rate on beer applicable to large breweries from \$18 to \$16 per barrel on the first 6 million barrels produced and in the rate applicable to small breweries from \$7 to \$3.50 per barrel on the first 60,000 barrels produced.

Below is a summary table of the changes under the CBA, as implemented by the Act, comparing the current law with changes under the Act. Click [here](#) for a full-screen version. The table is divided into various topics, listed according to their applicability to wineries, breweries, and distillers, respectively.

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