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THE CRAFT BEVERAGE MODERNIZATION AND TAX REFORM ACT

Introduced by Senators Ron Wyden (D-OR) and Roy Blunt (R-MO) and Representatives Kind (D-WI) and Mike Kelly (R-PA), the Craft Beverage Modernization and Tax Reform Act of 2019 (S.362/H.R.1175) would preserve a fairer and more equitable tax structure for brewers, winemakers, distillers, cider makers, and importers of all beverage alcohol that is set to expire on December 31, 2020.

The alcohol beverage sector proudly contributes more than four million jobs to the American economy.

Maintaining excise tax relief for the entire alcohol beverage sector will allow it to continue investing in businesses and supporting good-paying jobs across the country.



BEER

Without action from Congress, America's more than 8,300 United States breweries, and beer importers will face a nearly \$154 million annual excise tax increase beginning in January 2021.

This bill will maintain much needed excise tax relief for all brewers and beer importers by:

- ▶ Making the federal excise tax of \$3.50 per barrel permanent on the first 60,000 barrels and \$16 on all subsequent barrels for domestic brewers producing fewer than 2 million barrels annually.
- ▶ Preserving the federal excise tax of \$16 per barrel on the first 6 million barrels for all other brewers and all beer importers.
- ▶ Keeping the excise tax at \$18 per barrel after the first 6 million barrels.



WINE

Without action by Congress, excise taxes on 10,400 active wineries will rise dramatically. When made permanent, the bill will:

- ▶ Retaining a tax credit of \$1.00 per wine gallon on the first 30,000 wine gallons in production, \$0.90 on the next 100,000 wine gallons produced, and \$0.535 for the remaining 620,000 wine gallons or more in production.
- ▶ Allow natural sparkling wine to qualify for the tax credits outlined above.
- ▶ Tax wine containing up to 16% Alcohol by Volume (ABV) at \$1.07 per wine gallon.
- ▶ Increasing the carbonation threshold in low alcohol wine (8.5% ABV or less) from .392 to .64 grams of carbon dioxide per hundred milliliters.



MEAD

As a craft beverage sector relying heavily on American-produced honey, many meaderies are small and extremely vulnerable to tax increases.

Meaderies use a more expensive ingredient and pay taxes primarily as wineries. This bill allows provides essential relief to this fast-growing sector by:

- ▶ Removing the "bubble tax" on carbonated traditional meads under 8.5 ABV%.
- ▶ Continuing the extension of the small producer tax credit.
- ▶ Maintaining the existing taxation of \$1.07 for 14-16% ABV meads, in which many highly ranked meads fall.



SPIRITS

Fifty-four percent of the price of a bottle of distilled spirits is consumed by taxes and fees. This bill keeps the reforms to the federal excise tax on spirits by:

- ▶ Maintaining a reduced rate of \$2.70 per proof gallon for the first 100,000 proof gallons of distilled spirits produced or imported annually for spirit producers.
- ▶ Preserving a rate of \$13.34 per proof gallon for the next 22,130,000 proof gallons of distilled spirits.
- ▶ Keeping the excise tax rate of \$13.50 per proof gallon for production in excess of 22,230,000 proof gallons.



CIDER

Cidermakers may pay hard cider taxes or wine taxes depending on their ingredients and benefit from the continued reforms offered in this bill for both classes. The bill extends the following federal excise tax reforms:

- ▶ Continues small producer tax credit eligibility for sparkling cider and perry producers.
- ▶ Maintains tiered excise tax credit for fruit cider producers paying wine taxes.
- ▶ Prolongs the tiered excise tax credit for cideries paying the hard cider tax rate: \$0.062 for the first 30,000 wine gallons produced, \$0.056 for the next 100,000 wine gallons produced, and \$0.033 for the next 620,000 wine gallons produced.

THE CRAFT BEVERAGE MODERNIZATION AND TAX REFORM ACT enables members of Congress to support producers and importers of beer, wine, distilled spirits, and cider makers without picking winners and losers among a U.S. manufacturing industry that is important to our national economy.

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