

The Federal Alcohol Excise Tax

The Craft Beverage Modernization Act and Tax Reform Act reduced Federal excise taxes on wine, beer and spirits; all wineries benefit with extension of “alternate procedure”

The Craft Beverage Modernization and Tax Reform Act (CBMTRA), which was part of the Tax Reform Act passed by Congress in December 2017, provided the first reduction in federal alcohol excise taxes in over 80 years. The intention of this Act was to reduce wine excise taxes by expanding the tax credits used in computing the taxes for up to 750,000 gallons of wine production.

The Alcohol and Tobacco Tax and Trade Bureau (TTB) is responsible for issuing guidance for implementation of Act. In March, 2018, they issued TTB Circular 2018-1 which interpreted the new law to apply only to wines that are fully controlled by the producer from production to storage and final sale. Custom crush operations and wine removed in bond from a winery and transferred to a bonded wine cellar or another winery, were therefore, not eligible for the tax credit. However, it was not intended to limit the transferability of the tax credit between a winery and a bonded wine cellar or other winery. So, an “alternate procedure” was created under TTB guidelines that allowed all wineries to qualify for the expanded tax credits until June 30, 2018.

What is the current status of the TTB guidelines?

Following advocacy by the Washington Winegrowers and other industry groups such as WineAmerica, TTB agreed to extend the “alternate procedure” through December 31, 2019. This change in guidelines means that all wineries will benefit from the excise tax changes provided by the Craft Beverage Modernization and Tax Reform Act.

The “alternate procedure” allows wine producers to determine and pay their federal excise tax rates on wine that is stored untaxpaid at a bonded wine cellar. The producer can “receive” the wine “in bond” from the bonded wine cellar through documentation and reporting.

A wine producer would report wine removed from bond between January 1, 2018 and December 31, 2019 on TTB form 5120.17 as “received in bond” and “removed taxpaid.” Then, the wine producer must invoice the wine as taxpaid back to the bonded wine cellar. The transfer documents used for this procedure must be clearly marked with reference to the “alternate procedure.”

Is there still work needed to resolve this issue?

The expanded tax credits provided by the Craft Beverage Modernization and Tax Reform Act will end on December 31, 2019. Continued advocacy with Congress is needed to make these changes permanent. In addition, technical corrections are needed to the December 2017 legislation to clarify that the tax credits apply to all wineries.

What is Washington Winegrowers doing for you?

Washington Winegrowers, in cooperation with other industry groups including WineAmerica, will continue to urge Congressional members to make the technical corrections needed to the Craft Beverage Modernization and Tax Reform Act and to pass additional legislation to make the tax credits provided by the Act permanent.



Resources

TTB National Revenue Center

Phone: 877-882-3277

Email: [hps://www.b.gov/webforms/contact_nrc.shtml](https://www.b.gov/webforms/contact_nrc.shtml) TTB

Regulations and Rulings Division

Phone: 202-453-2265

Email: [hps://www.b.gov/webforms/contact_RRD.shtml](https://www.b.gov/webforms/contact_RRD.shtml)

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