

Federal Excise Tax Reform

The Future of the Craft Beverage Modernization and Tax Reform Act
(CBMTRA)

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CBMTRA Introduced

- Originally introduced by Senator Ron Wyden (D-OR) in June 2015
- First bill to include tax reforms for all alcohol commodities
- Not hugely beneficial for wine when first introduced
- WineAmerica and California Wine Institute worked with Wyden's staff to improve wine provisions
- Nearly passed three times in 2015 and 2016
- Federal Alcohol Tax Coalition formed

Federal Alcohol Excise Tax Coalition

- American Craft Spirits Association
- Beer Institute
- Brewers Association
- California Wine Institute
- Distilled Spirits Council
- United States Association of Cider Makers
- WineAmerica

CMBTRA Re-introduced

- January 30, 2017: bill re-introduced with 10 Senate co-sponsor and 10 House co-sponsors
- Senators Ron Wyden (D-OR) and Roy Blunt (R-MO)
- Representatives Ron Kind (D-WI) and Erik Paulson (R-MN)
- 57 Senators co-sponsor: 32 Democrats and 25 Republicans
- 304 House members co-sponsor: 171 Republican and 133 Democrats

CBMTRA Passed: Two Year Amended Version

- December 2017: Included as an amendment to the Tax Cuts and Jobs Act
- Two year version: expires December 31, 2019
- “Cost concerns”: Joint Tax Committee “scored” the bill higher than anticipated
- Senator Rob Portman (R-OH) introduced amendment
- Only bi-partisan amendment in entire bill

Wine Industry Benefits in CBMTRA

- Expands tax credits for all wineries
- Tax credits allowed on sparkling wine for first time
- Tax credits allowed on imports
- Increases alcohol threshold for table wine to 16% for tax purposes
- Increase carbonation threshold for low alcohol wines to avoid sparkling wine tax

Specific Tax Credits

- \$1.00 for first 30,000 removed for sale
- \$0.90 for gallons 30,001 to 130,000
- \$0.535 for gallons 130,001 to 750,000
- Full tax on all wines over 750,000
- Suspends small producer tax credit

Implementation Issues for Wine

- Final bill language released after passage
- Tax Reforms implemented on January 1, 2018
- Less than two weeks after bill passed
- Standalone bill had 18 months set aside for implementation
- TTB issued first guidance in January

Implementation Issues for Wine cont.

- Suspension of Small Producer Credit = big problems
- “Produced by the producer” vs “Produced at a qualified facility”
- Bonded Wine Cellars: can no longer take credit for clients
- Custom Crush Facilities: can only take credit on total production

Implementation Issues for Wine cont.

- Bulk wine transfers: wineries can only take credit on wine produced at their own facilities
- Delay in procedures on imports: guidance finally issued in October

WineAmerica Actions Since Passage

- Bonded Wine Cellars “fix”: TTB “alternate procedure” extended
- Custom Crush/Bulk Wine issue: Working with California Wine Institute, Napa Valley Vintners Association, Washington Wine Institute and Oregon Winegrowers Association
- Joint Alcohol Industry Outreach: Reception in September, coordinated advocacy/grassroots push

Extension/Permanence

- Working two tracks: extension and fix
- “Tax Reform 2.0”
- Lame Duck session: Attach to must pass bill?
- Grassroots outreach in December
- 116th Congress: Re-introduction again?
- New Committee leadership on House Ways and Means and Senate Finance

Questions?

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