

## ALCOHOL BEVERAGE

**CRAFT BEVERAGE MODERNIZATION AND TAX REFORM BILL OF 2019**

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On February 6, 2019, Congress introduced the Craft Beverage Modernization and Tax Reform Bill of 2019 (the "Bill"). The Bill, if approved as proposed, will make permanent the favorable changes for breweries, wineries, and distilleries (summarized below) enacted in the Craft Beverage Modernization and Tax Reform Act of 2017 (the "Act"), which expires on December 31, 2019 without the type of Congressional action reflected in the Bill. Among other things, the Act implemented the following favorable provisions:

**Breweries:**

- Reduces excise tax.
  - For domestic brewers producing less than two million barrels annually - reduced from \$7 per barrel to \$3.50 per barrel on the first 60,000 barrels and from \$18 to \$16 on the next 1,940,000 barrels.
  - For all other brewers and all beer importers - reduced from \$18 per barrel to \$16 per barrel on the first six million barrels (of the \$18 per barrel rate remains intact for barrelage over six million).
- Simplifies ingredient approval.
  - The list of ingredients that can be automatically included in a beer without approval from the Alcohol and Tobacco Tax and Trade Bureau is expanded.
- Simplifies brewery collaboration.
  - All breweries may transfer beers between bonded facilities without tax liability (not just commonly owned or affiliated breweries).
- Simplifies recordkeeping rules
  - Allows breweries to utilize a common inventory and storage system for all beer produced by the brewer on which tax has already been paid.

**Wineries:**

- Expands tax credit.
  - For wine produced by the producer and removed during the calendar year or for wine importers, there are three different credits available:
    - \$1 per gallon on the first 30,000 wine gallons of wine.
    - 90 cents on the next 100,000 wine gallons.
    - 53.5 cents on the next 620,000 wine gallons.
  - Producers making naturally sparkling wine may also claim the tax credits listed above.

- Expands tax allowances based on alcohol content.
  - Allows for a rate of \$1.07 per gallon on still wine containing not more than 16% alcohol by volume, up from the previous upper limit of 14% alcohol by volume.
  - Provides that certain meads and low alcohol by volume wines are still subject to the \$1.07 per gallon tax rate.

**Distillers:**

- Reduces excise taxes for small craft distilleries.
  - For distilled spirits distilled or processed and removed during the calendar year or for distilled spirit importers, the rates are reduced to:
    - \$2.70 per gallon on the first 100,000 proof gallons.
    - \$13.34 per gallon on the next 22.13 million proof gallons.
- Simplifies the transfers of spirits between distillers- Allows for tax-free transfers in bond of distilled spirits between distilled spirit plans, not subject to any limitations regarding whether the distilled spirits are transferred in bulk or non-bulk containers.

We are hopeful for congressional support for making these tax credits and other changes permanent and will monitor the Bill's progression.

If you would like more information, please contact a member of Harter Secrest & Emery LLP's [Alcohol Beverage](#) group at 585.232.6500 or visit [www.hselaw.com](http://www.hselaw.com).

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