



April 12, 2019

Support the Craft Beverage Modernization and Tax Reform Act, H.R. 1175 and S. 362

On behalf of FreedomWorks' activist community, I urge you to contact your representative and senators and ask them to cosponsor the Craft Beverage Modernization and Tax Reform Act, H.R. 1175 and S. 362. Introduced by Reps. Ron Kind (D-Wis.) and Mike Kelly (R-Pa.) in the House and Sens. Ron Wyden (D-Ore.) and Roy Blunt (R-Mo.) in the Senate, the Craft Beverage Modernization and Tax Reform Act (CBMTRA) would permanently extend the reduction in the excise tax on beer, wine, and distilled spirits that was passed as part of the Tax Cuts and Jobs Act of 2017.

The Tax Cuts and Jobs Act has greatly contributed to the growth of the United States economy since it was passed and signed into law in December 2017. The tax reform law lowered individual income tax rates, doubled the standard deduction for tax filers, gave relief to business owners who file their business's taxes on their individual tax return, and slashed the corporate income tax. One little known fact about the Tax Cuts and Jobs is that it modernized the federal excise tax system for breweries, vintners, and distilleries for the first time in a generation.

The brewing industry accounts for 2.2 million jobs and \$350 billion in economic activity. In addition to iconic American brands, new craft breweries open regularly across the country, with their own unique twist on beer. Further, the United States produces over 806 million gallons of wine a year, making it the fourth largest wine-producing country in the world. In 2015, America's distillers represented \$178 billion in direct economic activity and supported 1.6 million jobs. Craft distilleries are also a growing trend, increasing by 26 percent between 2016 and 2017.

Section 13802 of the Tax Cuts and Jobs Act reduced the federal excise tax on the first 60,000 barrels of beer for domestic brewers that produce fewer than 2 million barrels annually from \$7 per barrel to \$3.50 per barrel. The federal excise tax on the first 6 million barrels was reduced

from \$18 per barrel to \$16 per barrel for larger domestic brewers and importers. Any barrels produced after the 6 million threshold would be taxed at the \$18 per barrel rate.

In addition to the reduction in the per barrel federal excise tax on beer, Section 13804 of the Tax Cuts and Jobs Act reformed the credit system for producers of wine. Now, wine producers receive a credit of \$1 per gallon of wine up to the first 30,000 wine gallons, 90 cents per wine gallon between 30,001 and 130,000 wine gallons, and 53.5 cents per wine gallon between 130,001 and 750,000 wine gallons.

Separately, Section 13805 of the 2017 tax reform law also expanded the alcohol threshold for still wine to be subject to the \$1.07 per wine gallon federal excise from 14 percent alcohol by volume to 16 percent. Section 13806 increased carbonation tolerance levels for artificially carbonated wines and sparkling wines from 0.392 grams of carbon dioxide per hundred milliliters of wine to 0.64 grams, allowing these products to be taxed at \$1.07 per wine gallon rather than \$3.30 to \$3.40, which was the case under previous law.

Finally, Section 13807 reduced the federal excise tax on distilled spirits. Under previous law, all distilled spirits were subject to a \$13.50 per proof gallon federal excise tax. The Tax Cuts and Jobs Act created a graduated system. A distiller that produces 100,000 proof gallons of distilled spirits annually would pay a per proof gallon excise tax of \$2.70. The excise tax would rise to \$13.34 per proof gallon between 100,001 proof gallons and 22,230,000 proof gallons. The \$13.50 excise tax rate would apply to proof gallons above 22,230,000.

The CBMTRA has broad bipartisan support and is essential for iconic American businesses, both large and small, to grow and innovate. Brewers, vintners, distillers are using the reduced tax burden to invest in new products, inventory and equipment, all of which create employment opportunities for the men and women that work in the beverage alcohol industry.

However, if Congress doesn't act, this important law will lapse at the end of this year and new brewers, vintners, distillers that have opened since the Tax Cuts and Jobs Act became law will see a tax increase at the beginning of 2020. For these reasons, I urge you to contact your representative and senators and ask them to cosponsor the Craft Beverage Modernization and Tax Reform Act, H.R. 1175 and S. 362.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam Brandon', with a stylized flourish at the end.

Adam Brandon
President, FreedomWorks