



Tax reform and alcoholic beverage companies

Changes affecting alcohol producers, importers, and distributors



On December 22, 2017, the president signed into law H.R. 1, originally known as the Tax Cuts and Jobs Act. The new law (Public Law No. 115-97) contains a number of tax reforms with respect to the alcoholic beverage taxes imposed on beer, wine, and distilled spirits.

New Provisions

The new law includes several temporary rate reductions up to a certain threshold amount with respect to the volumetric excise taxes imposed on beer, wine, and distilled spirits.

To ensure parity between domestic and imported beverage alcohols, the new law includes rules that allow foreign produced beverage alcohol to qualify for the lower rate. Moreover foreign producers may assign the reduced rate of tax to importers if certain conditions are met.

The provisions are temporary. They apply for the two year period that begins January 1, 2018 and expires after December 31, 2019.



Beer

Reduce rate of excise tax on beer

The new law amends section 5051 to reduce the amount of federal excise tax imposed on brewers and importers of beer, including significant rate reductions for certain small brewers.

New special rules apply for determining controlled groups and allocation of the reduced tax rates among members of the controlled group and assigning the reduced rate of tax to importers of foreign brewed beer.

Transfers of beer in bond

The new law amends section 5414 to allow for more situations in which beer may be transferred tax free under bond. These situations include transfers between certain breweries, including some transfers under bond between unrelated proprietors.

Wine

Reduce rate of tax on certain wine

The new law modifies section 5041(c) credit for small domestic producers of wine such that the credit to be claimed by foreign and domestic producers of wine, regardless of the size of the winery. It also allow the credit for sparkling wine producers and provides special credit rates for hard cider.

New special rules apply for determining controlled groups and allocation of the reduced tax rates among members of the controlled group and assigning the reduced rate of tax to importers of foreign brewed beer.

Adjust alcohol content level of wine for application of excise taxes

The new law amends section 5041 to modify the alcohol-by-volume levels of the first two tiers of federal excise tax on wine such that wine with an alcohol content of not more than 16% alcohol is taxed at a rate of \$1.07 per wine gallon.

Reduce rate of tax on mead and certain carbonated wines

The new law amends section 5041 to reduce the rate of tax for mead and certain sparkling wine that contain an alcohol content of less than 8.5% alcohol-by-volume. Mead and certain sparkling wine is now taxed at the lowest rate applicable to “still wine” of \$1.07 per wine gallon of wine.

Distilled Spirits

Reduce excise tax rates on distilled spirits

The new law provides a two-year significant tiered rate reduction for distilled spirit producers and importers.

New special rules apply for determining controlled groups and allocation of the reduced tax rates among members of the controlled group and assigning the reduced rate of tax to importers of foreign brewed beer.

Allow transfer of bonded spirits in bottles

The new law amends section 5212 to expand allowable tax-free transfers in bond of distilled spirits to distilled spirits that are not packaged in bulk containers, such as bottles.

How KPMG can help

KPMG LLP's (KPMG) cross-disciplinary team can help you with your alcohol excise tax challenges – from analyzing the new rules to assisting with tax compliance.

Affected taxpayers include:

- Producers of beer, wine, or distilled spirits
- Alcoholic beverage distributors
- Importers and foreign producers of alcoholic beverages

Our skilled tax professionals can help you:

- Analyze, navigate, and comply with the new tax rules.
- Prepare federal excise tax returns, refund claims, and drawbacks.
- Prepare and submit TTB ruling requests.
- Prepare for a TTB examination and represent you before that body.
- Plan and implement compliance-related systems.
- Provide thought leadership, education, and technical assistance to stakeholders.

Contact us

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