

NY State Brewers Association Blog

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Implications of the Craft Beverage Modernization and Tax Reform Act

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The Craft Beverage Modernization and Tax Reform Act (CBMTRA) of 2017 gave the craft brewing industry a lift by temporarily lowering the federal excise tax for breweries, wineries, and distilled spirit producers. The act took effect on January 1, 2018, and is currently set to expire on December 31, 2019. But on February 6, U.S. Senators, Ron Wyden (D-OR) and Roy Blunt (R-MO) who were both involved in developing the original bill, reintroduced a proposal to make the CBMTRA permanent. A permanent CBMTRA would extend the reduced excise taxes for brewers indefinitely, as well as simplify rules for ingredient approval and brewery collaboration.

The CBMTRA has been advantageous to the craft beer community, especially to smaller breweries that greatly have benefited from the cash savings as well as the ability to collaborate due to revisions in laws related to transfer between breweries.

For brewers producing fewer than 2 million barrels of beer annually, excise tax for 2018 and 2019 was reduced from \$7 per barrel to \$3.50 per barrel for the first 60,000 barrels. Additional barrels are taxed at \$16 per barrel (reduced from \$18 per barrel). For breweries producing more than 2 million barrels per year, the excise tax was reduced from \$18 per barrel to \$16 per barrel. All barrels not subject to the reduced excise tax rates will continue to be subject to the \$18 per barrel excise tax.

In addition, as it relates to the transfer of beer between bonded facilities for 2018 and 2019, collaborations between brewers was increased by permitting the transfer of beer without tax liability. This led to a potential deferral of tax under certain conditions and allowed for the bonded transfer of beer between unrelated proprietors.

Senators Wyden and Blunt explained that their bill would level the competitive playing field and allow innovative brewers to grow. The craft brewing industry is creative, collaborative, and inventive, and legislation such as this will be beneficial for the industry, especially for small brewers just starting out and in great need of help on the cash flow side.

The senators are continuing to garner support for their bi-partisan bill from a significant portion of Congress, in addition to having the strong support of industry groups hoping it will pass. In the meantime, don't worry; just relax and have yourself one of your favorite New York State brews of choice.

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