

Overview

The federal government, all states, and some local jurisdictions impose excise taxes on alcohol. Historically, alcohol excise taxes were one of the first sources of revenue for the United States government. For example, the first distilled spirits tax was imposed in 1791. The alcohol beverage sector of the economy has worked collaboratively in recent years to demonstrate a consensus view that agricultural partners, suppliers, and the broader hospitality industry would benefit from a more stable excise tax rate. In 2017, the Tax Cuts and Jobs Act made the first changes to federal alcohol excise taxes since 1990. This Act lowered the tax rates on spirits, beer, and wine, but it is set to expire on December 31, 2020. In 2019, excise tax revenue from alcohol beverages amounted to just over \$10 billion.

The COVID-19 pandemic has severely impacted the American public, and many small businesses in the hospitality sector. Specifically, a total of more than 651,000 jobs supported by the beer industry will be lost by the end of 2020. Additionally, the pandemic could cause a direct loss of more than 3,600 brewing jobs and 1,800 distributing jobs. As the COVID-19 pandemic continues to spread across the country and impact the financial stability and success of both businesses and individuals, many are calling for common sense solutions that will support local small businesses, such as restaurants and bars that depend on the sale of alcohol to make a profit.

What are Excise Taxes?

For beer, excise taxes are imposed on a volume basis - either dollar per barrel or dollar per gallon. The taxes can range from \$.587 per barrel in Wyoming to \$33.17 in Alaska. While all states impose an excise tax on beer, some states levy additional taxes. For example, Kentucky imposes a 10.5% gross receipts tax on the wholesale value of beer sold, raising the total effective tax rate to \$26.97 per barrel.

The federal government and state governments either allocate the excise taxes for their general budget or for use in a special program. But many businesses and organizations are against alcohol excise taxes, calling them, “among the least efficient and most dangerous taxes as they not only affect brewing jobs, but also Americans who are employed in beer distributing, retailing, and hospitality sectors throughout the country.” Additionally, excise taxes are passed on to the consumer, often disproportionately affecting lower income and underserved communities. While excise taxes are often cited as important to discourage the overconsumption of alcohol, studies have not found a causal link between higher taxes and lower consumption rates. Other alternatives to alcohol excise taxes include permanently decreasing federal and state excise taxes in order to encourage business activity and investment.

Center Forward Basics

Center Forward brings together members of Congress, not-for-profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit www.center-forward.org

Key Facts

- The beer industry:
 - Contributes \$328.4 billion in economic output,
 - Directly employs 70,000 Americans,
 - Generates more than 2.1 million jobs and more than \$101 billion in wages and benefits. Each job in the brewing industry generates 31 additional full-time jobs.
- The beer industry has a presence in every Congressional district in America.
- The number of distribution jobs have increased by more than 19% in the last decade to 141,600.
- The production and sale of beer and other malt beverages generate nearly \$59 billion in state, federal, and local taxes.

Current Alcohol Excise Tax Rates

As of January 1, 2020, the current federal alcohol excise tax rates are:

- Distilled Spirits:
 - A tax rate of \$2.70 per proof gallon on the first 100,000 proof gallons in production.
 - A tax rate of \$13.34 per proof gallon for the next 22,130,000 proof gallons in production.
 - An excise tax rate of \$13.50 per proof gallon for production in excess of 22,230,000 proof gallons.
- Beer:
 - A tax rate of \$3.50 per barrel on the first 60,000 barrels and \$16 on all subsequent barrels for domestic brewers producing less than 2 million barrels or less annually.
 - A tax rate of \$16 per barrel on the first 6 million barrels and \$18 on all subsequent barrels for domestic brewers producing more than 2 million barrels.
- Wine:
 - For wine containing up to 16%ABV:
 - A tax rate of \$0.07 per gallon on the first 30,00 gallons of wine produced.
 - A tax rate of \$0.17 per gallon on the next 100,000 gallons of wine produced.
 - A tax rate of \$0.535 per gallon on wine produced from 130,000 gallons to 750,000 gallons.
 - A tax rate of \$1.07 per gallon on wine produced in excess of 750,000 gallons.

State Alcohol Excise Taxes	Distilled Spirit Tax Rate (dollars per Gallon)	Beer Excise Tax Rate (dollars per Gallon)	Wine Excise Tax Rate (dollars per Gallon)
California	\$3.30	\$0.20	\$0.20
Kentucky	\$8.33	\$0.87	\$3.30
New York	\$6.44	\$0.14	\$0.30
Texas	\$2.40	\$0.20	\$0.20

Current Proposals and Legislation

Enacted as a part of the Tax Cuts and Jobs Act, the Craft Beverage Modernization and Tax Reform Act (CBMTRA) created a new tax structure for the alcohol beverage sector in the beginning of 2018. The legislation was extended for an additional year and will expire on December 31, 2020. In the 116th Congress, both the Senate and the House of Representatives introduced a new bill to maintain the same excise tax rates. These bills have strong bipartisan support, and with over 80% of the House and nearly 75% of the Senate co-sponsoring.

Some states are considering legislation to change the amount of their excise taxes — some of the proposed changes are being met with support, while others are strongly opposed. For instance, policymakers in Oregon have released a budget proposal that suggests raising \$293 million from new beer, wine, and cider taxes. This proposal would result in a 750% tax increase on Oregon's brewers, winemakers, cideries, and consumers. According to a recent survey, more than 80% of Oregonians oppose increasing beer taxes.

Looking Ahead

The COVID-19 pandemic has affected many sectors of the U.S. economy and has resulted in restaurant and bar closures, as well as employees losing their jobs. The pandemic will continue to impact many industries into 2021 - food, beverage, hospitality, entertainment, tourism, agriculture, trucking, and retail. These industries will have to adapt in the winter months and face more unexpected challenges in 2021.

Many lawmakers, businesses, individuals, and experts agree that Congress could help these small businesses by making the CBMTRA permanent to provide some additional certainty for business planning in 2021. Some say that at a minimum, Congress could also extend the rates in CBMTRA which will help businesses affected by the pandemic increase consumer spending and promote job growth.

Links to Other Resources

- Alcohol and Tobacco Tax and Trade Bureau - [Tax and Fee Rates](#)
- Alcohol and Tobacco Tax and Trade Bureau - [Tax Cuts and Jobs Act of 2017](#)
- Beer Institute - [651,000 Jobs Supported by U.S. Beer Industry to be Lost Due to COVID-19 Pandemic](#)
- Congress.gov - [Craft Beverage Modernization and Tax Reform Act of 2019](#)
- Maryland Matters - [Maryland lawmakers propose alcohol tax hike for health plan](#)
- Oregon Health Authority - [2021-23 Agency Request Budget](#)
- Tax Foundation - [Permanence for Alcohol Excise Tax Reform](#)
- Tax Policy Center - [Key Elements of the U.S. Tax System](#)
- Tax Policy Center - [State Alcohol Excise Taxes](#)