



**Tax Cut Impacts of S. 236 / H.R. 747**  
**(Craft Beverage Modernization and Tax Reform Act of 2017)**  
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**Overview**

S. 236 / H.R. 747, the Craft Beverage Modernization and Tax Reform Act of 2017 (CBMTRA), is a federal bill that proposes wide-reaching excise tax cuts to all sectors of the alcohol industry. The bill's name is highly deceiving, as the largest impacts are for distilled spirits and large brewer excise tax reduction, not for incentives to the smaller production craft brew industry.

**Effects**

If signed into law, the CBMTRA would result in:

- At least \$321 million dollars in lost excise tax revenue from domestic production alone
- \$177 million dollars to the distilled spirits industry. Tax giveaways strongly favor big spirits distillers (\$128 million to distillers producing over 100,000 proof-gallons, versus \$49 million to 1,741 distillers producing < 100,000 proof-gallons)
- \$50 million to Big Alcohol "craft" brewers producing over 2 million barrels annually. Tax giveaways strongly favor huge brewers (\$50 million to 7 breweries producing 2-6 million barrels, versus \$76 million to 4,910 brewers producing < 2 million barrels)
- \$18 million lost in an evisceration of tax incentives meant to promote lower-ABV wine
- An extension of tax credits to major wineries producing up to 620,000 gallons
- A "race to the bottom" to dismantle effective public health policy

Federal alcohol excise taxes have not been raised since 1991. This failure to maintain a responsible level of taxation through an inflation index not only costs the government up to \$7 billion per year(1), it also strips away an effective means to control alcohol use through price increases. Researchers estimate that doubling the federal excise tax would result in a 35% decrease in alcohol-related mortality, an 11% reduction in deaths from automobile crashes, and measurable drops in sexually transmitted infections, violence, and crime.(2)

Most importantly, alcohol excise taxes can be used to directly ease and offset the estimated \$249 billion in costs from excess drinking.(3) In light of the persistent failure of the federal government to proactively address alcohol harms, the CBMTRA would be a poor choice in any year. This is compounded by the current political climate, wherein critical substance abuse prevention, research, and treatment efforts are under serious financial threat.

**Limitations & Assumptions**

Revenue estimates based on data from U.S. Tax and Trade Bureau for CY 2016. CBMTRA also revises the tax credit system for wineries, extending the cap from 250,000 gallons to 620,000 gallons, but TTB does not yet furnish sufficient data to assess the effect. These figures represent taxes assessed on domestic production only; cuts to import excise taxes were not yet evaluated. ABV tax assumes that 50% of the production of 14%-21% ABV wine is 14%-16% ABV. Estimate is conservative and will be revised as better data become available.

**Resources**

Alcohol Justice maintains an "alcohol tax calculator" that can be used to estimate revenues at federal and state levels for excise tax increases at [alcoholjustice.org/maps-tools/tax-calculator](http://alcoholjustice.org/maps-tools/tax-calculator).

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[alcoholjustice.org](http://alcoholjustice.org)

## IMPACT OF THE CRAFT BEVERAGE MODERNIZATION & TAX REFORM ACT OF 2017

### Alcohol Excise Tax Revenue

#### BEER

Production level	Rate (\$)	Volume	Total
≤ 60k barrels	\$7.00	13,444,675	\$94,112,725
60k – 2m barrels*	\$18.00	14,479,332	\$260,627,968
<b>Small Craft Brewers</b>			<b>\$354,740,693</b>
2m - 6m	\$18.00	25,147,831	\$452,660,951
>6m	\$18.00	119,774,532	\$2,155,941,575
<b>Big Alcohol "Craft" Brewers</b>			<b>\$2,608,602,526</b>
<b>Beer Total:</b>			<b>\$2,963,343,220</b>

#### WINE

ABV	Rate (\$)	Volume	Total
<i>(Bulk)</i>			
≤ 14%	\$1.07	25996662	\$27,816,428
14% – 21%	\$1.57	689605	\$1,082,680
21% – 24%	\$3.15	92654	\$291,860
<i>(Bottled)</i>			
≤ 14%	\$1.07	533205926	\$570,530,341
14% – 21%	\$1.57	71061772	\$111,566,982
21% – 24%	\$3.15	354592	\$1,116,965
<b>Wine Total:</b>			<b>\$712,405,256</b>

#### DISTILLED SPIRITS

Production level****	Rate (\$)	Volume	Total
0 – 100k PGs	\$13.50	4527463	\$61,120,751
>100k, 1st 100k PGs	\$13.50	7400000	\$99,900,000
100k-750k PGs	\$13.50	3950976	\$53,338,176
> 750k PGs	\$13.50	294190638	\$3,971,573,613
<b>Spirits Total:</b>			<b>\$4,185,932,540</b>

### 2016 Revenue Loss Under CBMTRA

		ROUNDED TOTAL
Small Craft Brewers > 2m barrels	\$76,015,026	<b>\$76,000,000</b>
Big Alcohol "Craft" Brewers	\$50,295,661	<b>\$50,000,000</b>
WINE:	\$17,937,844	<b>\$18,000,000</b>
DISTILLED SPIRITS:	\$176,519,259	<b>\$177,000,000</b>
<b>TOTAL</b>	<b>\$320,767,790</b>	<b>\$321,000,000</b>

### Revenue Under Proposed CBMTRA

#### BEER

Production level	Rate (\$)	Volume	Total	PROJECTED REVENUE LOSSES
≤ 60k barrels	\$3.50	13444675	\$47,056,363	\$47,056,363
60k-2m	\$16.00	14479332	\$231,669,305	\$28,958,663
<b>Small Craft Brewers</b>			<b>\$278,725,668</b>	<b>\$76,015,026</b>
2m-6m	\$16.00	25147831	\$402,365,289	\$50,295,661
> 6m barrels	\$18.00	119774532	\$2,155,941,575	\$0
<b>Big Alcohol "Craft" Brewers</b>			<b>\$2,558,306,865</b>	<b>\$50,295,661</b>
<b>Beer Total:</b>			<b>\$2,837,032,533</b>	<b>\$126,310,687</b>

#### WINE

ABV	Rate (\$)	Volume	Total	
<i>(Bulk)</i>				
≤ 14%	\$1.07	25996662	\$27,816,428	\$0
14% – 16%	\$1.07	344802.5	\$368,939	\$713,741
16% – 21%	\$1.57	344802.5	\$541,340	-\$249,480
21% – 24%	\$3.15	92654	\$291,860	-\$291,860
<i>(Bottled)</i>				
≤ 14%	\$1.07	533205926	\$570,530,341	\$0
14% – 16%***	\$1.07	35530886	\$38,018,048	\$73,548,934
16% – 21%***	\$1.57	35530886	\$55,783,491	-\$54,666,526
21% – 24%	\$3.15	354592	\$1,116,965	-\$1,116,965
<b>Wine Total:</b>			<b>\$694,467,412</b>	<b>\$17,937,844</b>

#### DISTILLED SPIRITS

Production level***	Rate (\$)	Volume	Total	
0 – 100k PGs	\$2.70	4527463	\$12,224,150	\$48,896,600
>100k, 1st 100k PGs	\$2.70	7400000	\$19,980,000	\$79,920,000
100k-750k PGs	\$13.34	3950976	\$52,706,020	\$632,156
> 750k PGs	\$13.34	294190638	\$3,924,503,111	\$47,070,502
<b>Spirits Total:</b>			<b>\$4,009,413,281</b>	<b>\$176,519,259</b>

Distillers 100K+ PGs **\$127,622,658**

notes:

\* producers under 2m barrels, pay \$7 for the first 60k and \$18 for the remainder. Producers over 2m barrels pay \$18 on all.

\*\* producers under 2m barrels, pay \$3 for the first 60k; all producers pay \$16 for each barrel under 6m; \$18 for the remainder.

\*\*\* data on these tiers is not available.

Calculation assumes that 14%-21% ABV tier would be evenly split between 14%-16% ABV and 16%-21%

\*\*\*\* distilled spirits are measured by proof-gallon (PG). 1 PG = 1 gal of alcohol @ 50% ABV (100 proof).

All data via United States Tax and Trade Bureau

Brewery production: [https://www.ttb.gov/statistics/production\\_size/2016\\_brew\\_prod\\_size\\_ttb.gov.pdf](https://www.ttb.gov/statistics/production_size/2016_brew_prod_size_ttb.gov.pdf)

Wine production: <https://www.ttb.gov/statistics/2016/final16wine.pdf>

Distilled spirits prod.: [https://www.ttb.gov/foia/xls/beverage\\_spirits\\_producers\\_bottlers\\_average\\_taxable\\_removals\\_proof\\_gallons.pdf](https://www.ttb.gov/foia/xls/beverage_spirits_producers_bottlers_average_taxable_removals_proof_gallons.pdf)

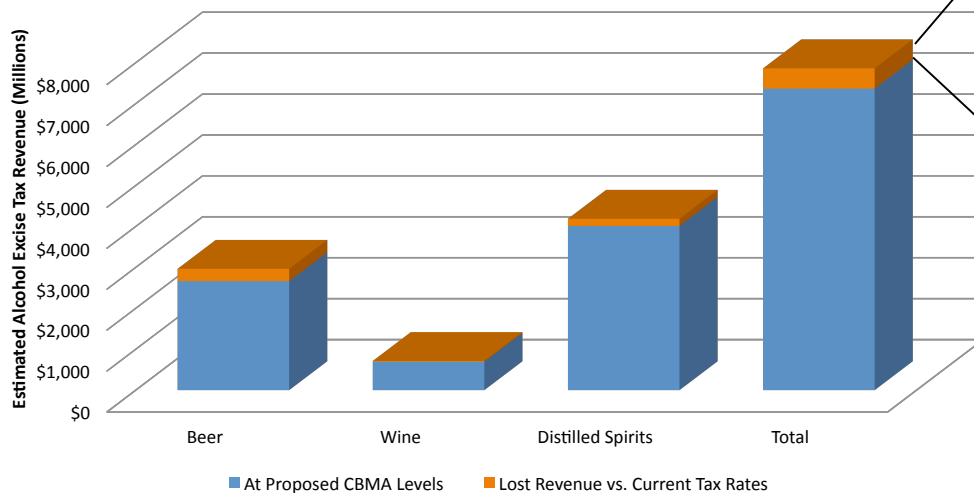
# CBMTRA Excise Tax Cuts Lost Opportunities for Prevention



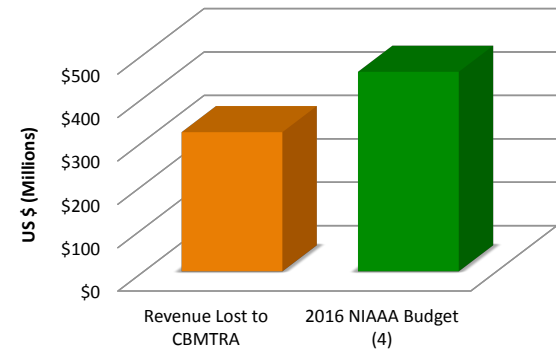
The revenue lost from the CBMTRA tax cuts means lost opportunities to support federal programs that play key roles in mitigating alcohol harm. This comes at a time when major budget cuts and changes to health reform threaten to strip treatment and recovery options from millions. These tax cuts do not just enrich alcohol companies and encourage greater drinking, they represent lost opportunities to promote the health and safety of alcohol drinkers and vulnerable non-drinkers in the U.S.

**Protecting the current excise tax levels would pay for:**  
**70% of the overall budget for the National Institute on Alcohol Abuse and Alcoholism.**  
**57% of Veteran's Administration expenditures on substance abuse treatment.**

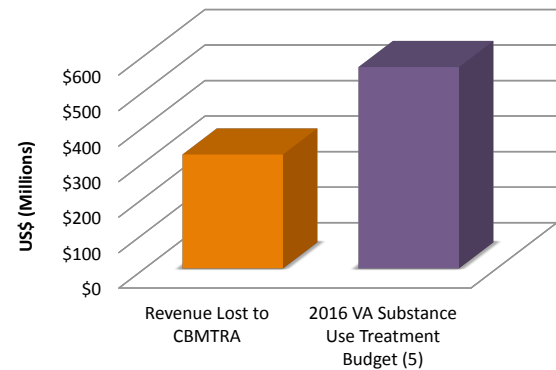
**2016 Revenue Impact of CBMTRA**



**Sponsoring Research**



**Promoting Recovery**



**REFERENCES to all three pages**

- (1) Congressional Budget Office. Increase all taxes on alcoholic beverages to \$16 per proof gallon. Options For Reducing the Deficit: 2017 to 2026 website. <https://www.cbo.gov/budget-options/2016/52284>. December 16, 2016. Accessed May 23, 2017.
- (2) Wagenaar AC, Maldonado-Molina MM, Wagenaar BH. Effects of alcohol tax increases on alcohol-related disease mortality in Alaska: Time-series analyses from 1976 to 2004. *Am J Public Health*. 2009;99(1):1-8
- (3) Sacks JJ, Gonzales KR, Bouchery EE, Tomedi LE, Brewer RD. 2010 national and state costs of excessive alcohol consumption. *Am J Prev Med*. 2015;49(5):e73-e79.
- (4) Department of Health and Human Services. National Institute on Alcohol Abuse and Alcoholism FY 2016 Budget. Available at: <https://www.niaaa.nih.gov/sites/default/files/budgets/FY2016CJNIAAA.pdf>. Accessed May 23, 2017.
- (5) United States Department of Veterans Affairs. FY2018 VA Budget Volume II: Medical Programs and Information Technology Programs. Available at: <https://www.va.gov/budget/docs/summary/fy2018VAbudgetVolumellmedicalProgramsAndInformationTechnology.pdf>. Accessed May 23, 2017.