

## The Compliance Corner

By Mary Beth Williams

### Excise Taxes – Are you paying too much?

Lots of wineries take advantage of the Small Domestic Producer Credit, which grants a \$.90 per gallon credit against excise taxes on the first 100,000 gallons (just over 42,000 cases) of still wine a winery produces each year. The threshold requirements to be eligible for this credit are that: (1) your U.S. winery produces some wine each year; and (2) your winery produces less than 150,000 gallons (just over 63,000 cases) each year. If both of these requirements apply, you may deduct \$.90 per gallon for the first 100,000 gallons of wine produced. Any production above 100,000 gallons will be taxed at the normal excise tax rate. There is a decreasing credit for wineries that produce between 150,000 and 250,000 gallons per year.

But you may also be entitled to exclude up to 200 gallons of wine each year from the total wine subject to excise tax under the “family use” exemption. A winery that is set up as a sole proprietorship or a partnership may deduct 100 gallons of wine without paying excise tax on it if there is 1 adult in the primary home associated with the winery; 200 gallons may be deducted if there are 2 adults in that home. An LLC may also take this deduction IF the LLC is taxed as a partnership. Corporations and LLCs taxed as corporations are not allowed to take this deduction. The only other limitation is that this wine cannot be sold. Many wineries use this wine for competitions, or for tasting room or festival tastings (assuming the tasting is free), and therefore don’t have to keep track of the wine they use for these purposes. The deduction is taken on Line 13 of your TTB premises report, “Removed for Family Use”, and is not subject to any excise tax.

In this economy where every dollar counts, make sure that you’re not paying more than you must. Check your most recent premises report and excise tax return to make sure that you’re capitalizing on every deduction you can. Please call us if you need help!

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