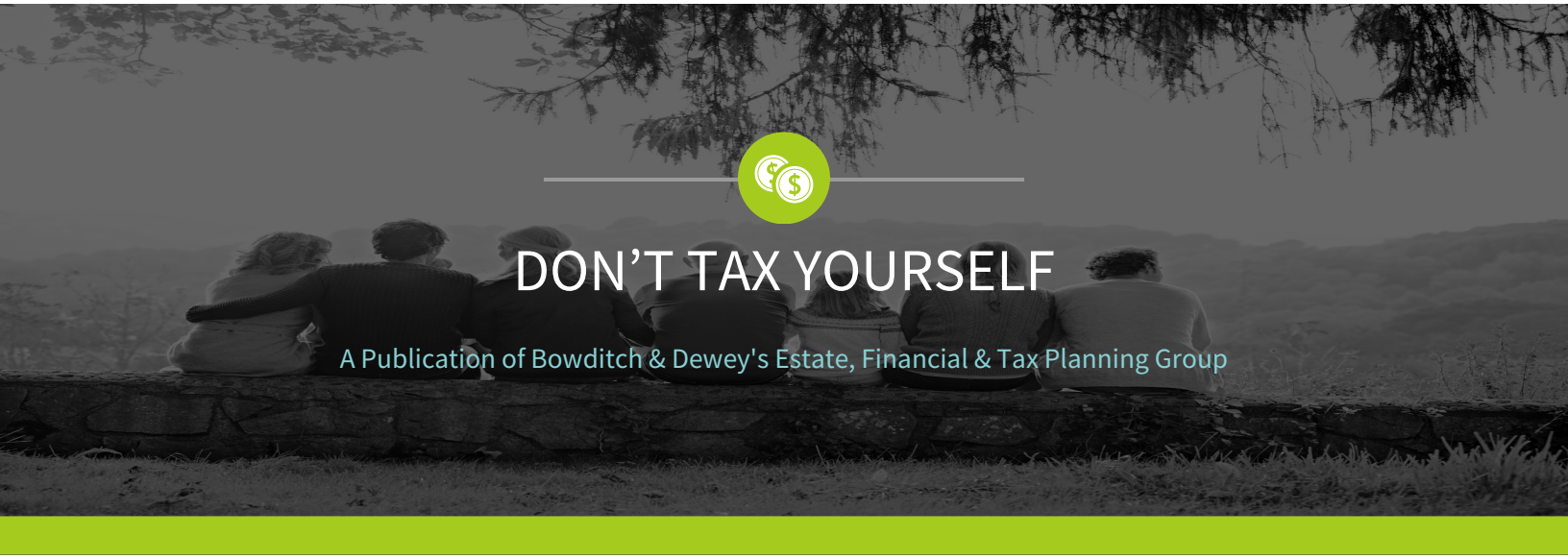


DON'T TAX YOURSELF

A Publication of Bowditch & Dewey's Estate, Financial & Tax Planning Group

Is Cider More Like Beer Or Champagne? Ask the Massachusetts Legislature.

NOVEMBER 3, 2016

There has been a marked increase in hard cider production in recent years that goes hand-in-hand with the explosion of the craft beer movement. The cider industry is the sister of the craft beer industry. Any beer festival you attend invariably will have a respectable cider selection. Ciders are being marketed the same way craft beer is marketed – canned with hip catchy names and cool logos. Ciders are also being produced with similar alcohol contents to craft beer. It is not unusual for a hard cider to be 8% alcohol by volume, like a craft beer.

Despite both the craft beer and cider communities viewing cider as a sister of the craft beer industry, the Massachusetts Legislature does not agree. Chapter 138, section 21 of the Massachusetts General Laws (M.G.L.) states that each "wine gallon" of cider containing more than 3% but not more than 6% ABV shall be taxed at a rate of three cents per gallon. However, any gallon of cider with an ABV more than 6% is taxed the same as "champagne and all other sparkling wines." "Wines" is defined in M.G.L. Chapter 138 section 1 as "all fermented alcoholic beverages made from fruits, flowers, herbs or vegetables" containing less than 24% ABV. Thus, any cider with an ABV over 6% is taxed at a rate of 70 cents per gallon – a 2,333% increase in tax for what might be a very small difference in ABV. For example, a barrel of "Unoriginal Blend" hard cider (produced by Downeast Cider House in Boston) with an ABV of 5.5% is taxed at three cents per gallon—or a total of 93 cents per barrel. In contrast, a barrel of "Winter Blend" craft cider (produced by the same cidery) with an ABV of 6.5% is taxed at 70 cents a gallon—or $21.70 per barrel. To compare, beer is taxed at $3.30 per 31-gallon barrel, or a about 10.6 cents per gallon.

There is currently a bill before the House that seeks to change the limit from 6% ABV to 8% ABV, allowing more ciders to stay in the 3 cents per gallon tax-bracket. This change would match the tax rate of the federal government, which is set to go into effect on January 1, 2017.

The backers of the bill argue that the proposed change treats ciders more accurately, aligning them with craft beer. The supporters also point out that the proposed change helps Massachusetts cideries (18 in the Commonwealth) to compete with out-of-state producers. When a cidery has to pay 70 cents per gallon, the customer inevitably feels it.

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Approving the proposed legislation would follow the national trend towards looking at the craft beverage industry in a different way and not distinguishing tax brackets by ABV. The state of Ohio recently did away with a 12% ABV limit that it had on beer production, recognizing that the market has changed and such arbitrary limitations restrained an otherwise very viable craft beer industry.

What do you think? Should hard cider be taxed the same as champagne?

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