



Income Tax FAQs: Starting a Wine Brand With Crushpad Commerce

DISCLAIMER: We are winemakers, not financial advisors. So please consult with your tax advisor before undertaking any new business initiative. This document may or may not be applicable in your state and you should not make decisions solely on its content.

Are there any income tax benefits of starting a wine brand?

Yes. Federal tax law allows anyone actively engaged in a business for profit to deduct reasonable expenses related to that business. This means that:

- Individuals may use losses generated during the early years of a new business to offset income from other sources such as wages or investment income.
- There are a number of expenses that are allowable deductions if you're engaged in the winery business. This is true even if there may be a personal benefit, as long as the primary purpose is the production, promotion, and sale of your wine.

Can I deduct business related expenses from Day One?

It depends. Start-up expenses have to be capitalized and deducted over time. Once the business is started, expenses may be deducted as incurred. For example:

- A first trip to Sonoma to discuss Commerce and taste wines, which leads to a decision to join Commerce and make wine, would be capitalized.
- Once you've joined Commerce, a trip to Crushpad during harvest, or meals and entertainment to promote sales for the future release of your wine, would be currently deductible.

Is the cost of making the wine deductible?

Before your wine is sold, it is treated as inventory and it may not be expensed. Once you sell your wine, the cost of production may be expensed against sales.

Can I write off purchases of wine for my personal wine collection?

No. But you could deduct reasonable expenses for:

- Wines purchased to help you decide which vineyards and varietals to select
- Similar wines used to promote the sale of your wine before it is bottled

Can I write off a research trip to Bordeaux?

Depends if you're making wine there. You can usually deduct travel and entertainment expenses for:

- Selection of your vineyards (trips to the wine country)
- Production of your wine (visits to Crushpad)
- Promotion of your wine to consumers, retailers, and wholesalers
- Meetings with potential wine buyers (breakfast, lunch, dinners)
- Private parties for the express purpose of promoting your wines
- Participation at public tasting events (Pinot Days, ZAP, etc.)

Can I write off the cost of an evening MBA program?

Probably not, and who needs an MBA when you're a winemaker? But deductible continuing education related to your winery would include classes in

- Viticulture and Oenology
- Sales and Marketing, Finance or Tax related to running a small winery