

Small Brewer Excise Tax Reduction

Media Coverage





Kirk Joins with Local Illinois Brewers to Encourage Business Growth

Small BREW Act will Save Small Brewers Up to 50 Percent Per Barrel Manufactured; Expected to Inject \$183 Million into Economy in First Year

Wednesday, Apr 23, 2014



CHICAGO — U.S. Sen. Mark Kirk (R-Ill.) today joined with Josh Deth, Managing Partner of Revolution Brewing—a Chicago-based craft brewing company—to announce his support for the Small Brewer Reinvestment and Expanding Workforce Act—the Small BREW Act—a measure to reduce excise taxes on beer brewers who produce fewer than 6 million barrels per year.

Currently, brewers pay an excise tax of approximately \$18 on each barrel of beer brewed; small brewers—those who produce fewer than 2 million barrels per year—pay a reduced rate of \$7 per barrel for the first 60,000 barrels brewed. The Small BREW Act would boost small brewers by reducing excise taxes on the first 60,000 barrels produced to just \$3.50 per barrel and \$16 per barrel on additional barrels up to 2 million.

Sen. Kirk toured Revolution Brewing's Production Brewery with Deth and sampled Revolution's "Eugene Porter," one of Revolution's over 50 varieties of beer.

An economic impact study by Dr. John Friedman at Harvard University found that the bill would generate \$183.1 million in economic activity in the first year and almost \$1.04 billion over five years and would also create nearly 5,230 jobs in just the first year.

As of 2013, Illinois is home to 67 craft breweries, employing 2,847 workers.



"The Small BREW Act represents an opportunity to unleash tremendous potential for entrepreneurship," Sen. Kirk said. "Lowering these tax rates for small breweries will help grow small business and make burgeoning entrepreneurs more competitive."

The small brewer threshold and tax rate were established in 1976 and have never been updated. Since then, the annual production of America's largest brewery increased from 45 million barrels to 105 million barrels. Raising the ceiling that defines small breweries from 2 million barrels to 6 million barrels more accurately reflects the intent of the original differentiation between large and small brewers in the U.S.

"This is an important bill for cash-strapped Illinois," said Josh Deth, who likes to call himself "Chairman of the Party" for Revolution Brewing. "The incentives would help small breweries like Revolution Brewing build business and boost production, which would in turn inject millions into the economy."

The same Harvard study estimates an annual job growth of 400 per year, after the initial boost of 5,230 in the first year. Each new job would cost just \$3,300 in foregone tax revenue from the first year.

While it is estimated that the Federal government would forego approximately \$67 million in revenue as a result of the Small BREW Act, but would make an additional \$49.1 million in new payroll and income taxes, along with \$1.1 million in excise taxes on the additional craft beer sales.

"This is another case where reducing taxes will provide a clear boost to job growth and to the economy," Sen. Kirk said. "I am proud to join a bipartisan group of Senators and House Members in support of this bill."



Rep. Peter DeFazio, D-Ore.

Microbreweries and beer giants tangle over tax cut

December 20, 2013

WASHINGTON — Beer politics are getting frothy on Capitol Hill.

American microbreweries are asking Uncle Sam to cut their federal excise tax so they can grab more market share from Coors, Budweiser, Corona, Miller and other brands that have become household names.

The big beer makers, meanwhile, support proposals that would cut excise taxes for all brewers, regardless of size.

Both sides, which were once united, are polite enough to praise the products made by the other camp but disagree on how to reduce one type of tax that affects the price of beer.

Though neither side's proposals are likely to advance on their own, both camps want their ideas to be the ones Congress includes in a future overhaul the U.S. tax code.

Making the case for the nation's 2,700 microbreweries is the House Small Brewers Caucus, founded in 2007 by Oregon Reps. Peter DeFazio, a Democrat, and Greg Walden, a Republican.

The 123 caucus members get together a couple of times a year to have barrels of bipartisan fun while sampling a range of handcrafted brews.

But the group is about more than just suds and smiles, DeFazio noted in a recent interview. It's also backing the Small Brew Act introduced in February by its Republican co-chairman, Pennsylvania Rep. Jim Gerlach. Similar measures died in two previous Congresses.

At issue is a tax that the federal government assesses on a few products like beer, wine and gasoline and gets included in the price. The excise tax on beer is \$7 per barrel for the first 60,000 barrels and \$18 per barrel on anything above that. A barrel is a standard unit of measure in the beverage industry and contains 31 gallons of beer.

The Small BREW Act, co-sponsored by 136 House members, would reduce the levies to \$3.50 per barrel on the first 60,000 barrels of beer, and to \$16 per barrel on 60,000 to 2 million barrels. The current \$18 rate would be retained on production exceeding 2 million barrels, under the measure.

A companion Senate measure introduced by Sen. Benjamin Cardin, D-Md., has 35 co-sponsors.

The bills would also expand the definition of a small brewer. Since 1976, the Internal Revenue Service has classified small brewers as those making up to and including 2 million barrels a year. The Small BREW Act would raise that limit to 6 million barrels.

Most microbreweries produce fewer than 15,000 barrels — or 465,000 gallons of beer — a year.

DeFazio, a home brewer since the early 1990s, said microbreweries deserve the tax break because they offer a homegrown American product people are drinking more of. Neighborhood breweries, the biggest job creators in the industry, need federal help to expand and compete more effectively against big multinationals that control more than 90 percent of the U.S. beer market, he said.

"We want to grow craft breweries — small, local businesses, some of which grow to be quite large," DeFazio said. "We are producing an all-American product, helping the trade balance and bringing good beer to the world."

The Small BREW Act has Democratic and Republican backing, he added, because "beer is the last bipartisan thing in Washington, D.C."

Bob Pease, chief operating officer of the Colorado-based Brewers Association, acknowledged that the Small BREW Act would disproportionately help his members. He argued that Congress shouldn't hesitate to back the one segment — specialty beer — that's growing in an otherwise flat beer market.

"It's good economic policy for the government to support an industry that has the wind on its back. We definitely are doing well in terms of growing our volume of the beer market. But craft brewers . . . only have 6.5 percent of the beer market," he said. "We don't dog (big beer makers) on quality, but we disagree with them on policy."

The two beer giants, Belgium-based Anheuser Busch-InBev, the maker of Budweiser, Corona, Beck's and Stella Artois, and Chicago-based MillerCoors, whose parent companies are headquartered in Denver and England, have put their political muscle behind legislation that would halve the excise tax for all brewers, regardless of size.

The BEER Act, introduced in May by Sen. Mark Udall, D-Colo., has eight co-sponsors. A House companion, filed by Iowa Republican Tom Latham, has 72 backers.

"The BEER Act is the only legislation that supports additional tax relief for the genuinely small brewer, but doesn't ask members of Congress to pick winners and losers either among the industry, or among beer drinkers," Chris Thorne, spokesman for the Beer Institute, said in a statement. "Any beer tax bill should be fair, comprehensive and equitable, and the only bill that meets that standard is the BEER Act."

Citizens for Tax Justice, a watchdog group, noted on its blog in May that the Small Beer Act would confer upon successful, mid-sized beer makers the same tax advantages as mom-and-pop brewers. The expanded definition of a small brewer would, for instance, include the Boston Beer Co., maker of the widely available Sam Adams — not a brand people think of as a "micro" brew.



Kuster Touts Plan to Cut Taxes on New Hampshire's Small Brewers at Henniker Brewing Company

Oct 31, 2013
Press Release

Small BREW Act would cut the federal excise tax on New Hampshire's small brewers in half from \$7.00 to \$3.50 per barrel on first 60,000 barrels, helping promote growth and job creation

Kuster: Small BREW Act would mean more jobs on tap in the Granite State

HENNIKER, N.H. – As part of her commitment to helping create jobs and opportunity for middle class families, Congresswoman Annie Kuster (NH-02) today continued her “Congress at Your Company” series with a visit to the Henniker Brewing Company, where she highlighted legislation she is cosponsoring that would cut taxes for small brewers across the Granite State to help promote growth and job creation. The *Small BREW Act* would cut the federal excise tax in half, from \$7.00 to \$3.50 per barrel, on the first 60,000 barrels for small breweries that produce less than 6 million barrels per year.

“My top priority in Congress is helping create jobs and opportunity for middle class families,” **Kuster** said. “That’s what the *Small BREW Act* is all about. This bill would cut the federal excise tax on our small brewers in half, helping them grow their businesses and ensuring that there are more, middle class jobs on tap in the Granite State.”

The Henniker Brewing Company, which brewed its first barrels in December 2012, plans to produce about 7,500 barrels per year. At that rate, the *Small BREW Act* could mean savings of \$26,250 each year for the company, which could go toward expanding operations and creating jobs. Henniker Brewing formally launched in 2011 and moved into its new Centerville Road facility in July 2012. Its four brands – Working Man’s Porter, Amber Apparition, Whipple’s Wheat, and Hop Slinger – are now available in more than 200 stores and restaurants around New Hampshire.

“The *Small BREW Act* would make a big difference to us,” said **David Currier, founder and managing member of the Henniker Brewing Company**. “The less we have to pay in taxes, the more money we have to put back into developing our business.”

A member of the Small Brewers Caucus and the House Small Business Committee, Kuster has prioritized efforts to foster job creation, grow the economy, and expand opportunity for middle

class families. The first bill she authored would incentivize public-private partnerships to improve workforce development for New Hampshire students.

Last month, Kuster introduced legislation to extend and expand a federal pilot program to help boost small businesses exports. She has also supported legislation to make permanent the federal research and development tax credit, helped lead the fight to prevent pending regulations from harming New England farmers, and worked to protect New Hampshire small businesses from burdensome online sales tax collection requirements.

Schumer Announces Legislation to Help Craft Brewers

September 6, 2013

By Ray Bradley, WAMC Northeast Public Radio

New York's senior U.S. Senator Charles Schumer was in Lake Placid today to tour a craft brewery and announce legislation that would cut the federal excise tax on the product.

New York State is one of the top five craft beer producers in the U.S., and Senator Charles Schumer is working to support what he says is one of the fastest growing industries in upstate New York.

Standing on the deck of the Lake Placid Pub and Brewery overlooking Mirror Lake, Senator Schumer said he is introducing the Small BREW - Brewer Reinvestment and Expanding Workforce Act.



Senator Charles Schumer announces Small BREW Act. (Left) Congressman Bill Owens, (center) Schumer, (Right) Lake Placid Pub and Brewery Owner Chris Ericson

Schumer announced the legislation after a tour of the Lake Placid Pub and Brewery, a craft brewery that has been in business for 17 years.

The Lake Placid brewery is one of the largest in New York, producing 1,200 barrels, or 300,000 pints, annually. It employs 70 people, and the beer is distributed in nine states. The company has won national, international and state awards, including being named best brewery in New York twice and best in the Hudson Valley four times. It produces about 80 different styles of beer. Proprietor and Brewmaster Chris Ericson, who is on the board of the New York State Brewers Association, says this is the second time such legislation has been introduced.

Schumer cited a Harvard study that predicts increased economic activity of 153 million dollars in the small brewery industry nationwide if the cut in the excise tax is passed. The study indicates that each dollar saved from the cut would generate nearly \$11 in economic activity. Ericson says that reflects what he expects to happen in his business.

Fellow Democrat Congressman Bill Owens, who accompanied Senator Schumer on the tour, is introducing companion legislation in the House. From Lake Placid, Schumer continued on to McCadam Farms in Chateaugay to promote upstate cheese production.



Bill would cut excise tax, help small breweries, supporters say

August 15, 2013

By John D. Oravec

Scott Smith believes small breweries like his East End Brewery could save thousands of dollars annually if antiquated federal excise taxes laws were revamped to help make them more competitive.

East End Brewery is growing and in November moved from Homewood to new quarters in Larimer, where Smith hopes to produce 4,000 barrels of beer this year, up from 2,500 last year.

If he hits that goal, and an excise tax cut is adopted by Congress, he could save about \$14,000.

“That would be enough to buy a new fermenter,” a microbrewery's most important piece of equipment, Smith said on Thursday.

Under a bill co-sponsored by 30 members of Congress and in the Senate Finance Committee, the per-barrel excise tax that brewers pay to federal coffers, would be cut in half for small breweries. The tax went into effect in 1976.

East End Brewery has grown 40 percent to 60 percent each year since Smith started it in 2004. A tax cut would help that continue.

“We're lucky in the brewing world to have this growth, but it's not without its challenges,” said Smith, who employs six workers.

Nationwide, there are about 2,500 small brewers, defined as producing less than 2 million barrels each year, and about 100 in Pennsylvania, said Sen. Bob Casey Jr., D-Scranton, one of the co-sponsors of the bill during a tour Thursday of East End Brewery.

Area brewers say there are about 32 microbreweries in Western Pennsylvania, from Erie to State College to West Virginia, and they say they would benefit from the proposed tax cut.

Bob McCafferty said his North Country Brewing Co. in Slippery Rock produced 1,651 barrels last year and is set to startup a 5,000-barrel expansion. Matt Allyn's Voodoo Brewing Co. in Meadville brewed 1,200 barrels. Matt Katase's TheBrewGentleman Beer Co. in Braddock is setting up to start production.

“This excise tax was created during the Civil War, not that anyone minds paying, but if structured differently, it would create more jobs,” said McCafferty, who recently added 10 jobs, bringing total employment to 82 — because of a change in state law.

In November 2011, Pennsylvania changed rules to allow a brewer to open a satellite brewing site away from its original licensed location, he said.

“We outgrew our original site on Slippery Rock's main drag,” McCafferty said. The change allowed him to build another brewery at a nearby industrial park. That added 10 jobs. “Now we will be able to distribute to Western Pennsylvania (and) eastern Ohio and hit markets that have been requesting our products.”

Casey said the excise tax-cut legislation would help small breweries compete with larger competitors, create jobs and add to the nation's and Pennsylvania's economy. “We want to give them the tools to do that,” he said.

A March study by Harvard University determined the legislation would add 5,000 jobs nationwide in the first 18 months and 400 per year after that. The total tax reduction over 10 years would be \$324 million, Casey said.

Small brewers like Smith and McCafferty are paying an excise tax of \$7 per barrel on the first 60,000 barrels they brew each year. After the first 60,000, brewers pay an \$18 excise tax on each additional barrel, up to 2 million. One barrel is 31 gallons.

The bill would reduce the excise tax in two ways. First, the tax rate on the first 60,000 barrels would be reduced to \$3.50 per barrel. Second, the tax rate on additional barrels below 2 million per year would be reduced from \$18 to \$16.

The ceiling that defines small breweries would be increased to 6 million barrels, to more accurately reflect growth and consolidation of the brewing industry. Since the 1970s, the annual production of America's largest brewery increased from 45 million barrels to 105 million barrels, according to Casey's office.

“Smaller breweries like East End Brewing are attracting customers ... and it's critical that our tax system supports that,” Casey said.

Casey said he hopes to get the bill out of committee and on the Senate floor this year. It likely would be combined with other legislation, and supporters have more than a year to push it through Congress, he said.

The bill was introduced in the last Congress by former Sen. John Kerry, D-Mass., but failed to advance, Casey said. The current version was introduced by Sen. Ben Cardin, D-Maryland.



Sen. Menendez Tours Flying Fish Brewery in Somerdale

Original co-sponsor of the Small BREW Act visits Flying Fish's newly expanded brewery

Press Release

July 8, 2013

SOMERDALE, NJ – During his visits today of Southern New Jersey's small businesses, U.S. Senator Robert Menendez, original co-sponsor of the Small BREW Act legislation, joined Flying Fish Brewing Company President Gene Muller and his team to tour the brewery's Somerdale headquarters.

"It's the first microbrewery here in Southern New Jersey, and the first new brewery in the region in more than half-a-century. The \$6 million expansion in 2012 has enabled Flying Fish to triple production and create two dozen new jobs," said Senator Menendez, who also lauded the brewery's efforts to help people recovering from Superstorm Sandy. "Flying Fish is not only a great business and a good brewery, but also a good partner in the effort to recover from Sandy and get New Jersey families to work and help rebuild New Jersey."

In December 2012, in an effort to help victims of Superstorm Sandy, the Flying Fish Brewing Company released its special edition "Forever Unloved Sandy" beer. Proceeds from the sale of this beer, which have topped \$45,000, will be donated to Superstorm Sandy relief efforts. A second run of "Forever Unloved Sandy" beer will be available in stores later this month.

"We appreciate Senator Menendez taking the time to visit our brewery and learning about all that goes into making our business work," said Muller. "We also appreciate his sponsorship of the Small BREW Act, which if enacted, will be tremendously beneficial to all New Jersey breweries."

The "Small BREW Act" (S. 917, The Small Brewer Reinvestment and Expanding Workforce Act) was introduced in May and would fuel regional economies by reducing the excise tax on each barrel of beer brewed by small brewers. Senator Menendez last met with Gene Muller and other members of the Brewers Association on Capitol Hill during American Craft Beer Week in May.

Under current law, brewers generally pay an \$18 excise tax on each barrel brewed. Small brewers, currently defined as those that brew fewer than 2 million barrels of beer a year, pay a reduced excise tax of \$7 per barrel for the first 60,000 barrels of beer they brew each year. The Small BREW Act would reduce the excise tax applicable to brewers producing up to 6 million barrels per year to just \$3.50 on the first 60,000 barrels and \$16 on additional barrels below 2 million per year.

An economic impact study by Dr. John Friedman at Harvard University found that the bill would generate \$183.1 million in economic activity in the first year and almost \$1.04 billion over five years and would also create nearly 5,230 jobs in just the first year. New Jersey is home to 31 craft brewers, with at least 28 more in the planning stages.

The small brewer threshold and tax rate were established in 1976 and have never been updated. Since then, the annual production of America's largest brewery increased from 45 million barrels to 105 million barrels. Raising the ceiling that defines small breweries from 2 million barrels to 6 million barrels more accurately reflects the intent of the original differentiation between large and small brewers in the United States.

Somerdale Mayor Gary Passanante was among the public officials who were also present for the tour.

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Senator Ben Cardin Tours Flying Dog Brewery And Drinks Beer

June 25, 2013

By Bethany Rodgers



U.S. Sen. Ben Cardin toasted the health of Frederick County small business Monday with a glass of local beer.

Cardin (D) enjoyed the beer with area business owners after touring the Flying Dog facilities in Frederick. It was far from the first time Cardin has visited a brewery, said the senator, adding that he's proud of his appreciation for a good ale.

"I think I've drunk more beer than any other member of the Senate," Cardin said.

During Cardin's visit, members of the local craft beer industry spoke to him about legislation that would reduce excise taxes for small brewers, or companies producing less than 2 million barrels a year. Brewers in general are now taxed at \$18 per barrel of beer. Small brewers get a reduced rate of \$7 per barrel for the first 60,000 barrels before they start paying the full rate. Cardin's bill would cut tax rates to \$3.50 on the first 60,000 barrels made by small brewers. The tax rate then would increase to \$16 for any additional barrels of beer they produce.

Jim Caruso, general partner and CEO of Flying Dog, said the excise tax paid by beer-makers comes in addition to the regular corporate taxes they must put up. Devoting such a large slice of revenue to taxes can prevent businesses from expanding and creating new jobs, he said.

"It constricts your ability to reinvest in business," Caruso said.

Cardin has supported the Small BREW Act for the past two years, but this is the first time he has been lead sponsor for the legislation, his representative said.

Because the act is a small piece of legislation, it is unlikely to pass as a stand-alone bill, Caruso said. Its best chance for success is to get attached to a larger proposal, like a tax bill, he said.

Cardin said adjusting the excise taxes would promote the development of the state's craft brewing industry.

"When I grew up, brewing in Maryland was a huge industry. We lost most of it, but now, it's coming back," he said.

During Monday's town hall-style discussion with local business representatives, Cardin also fielded questions about the Affordable Care Act and how environmental regulations are affecting farmers.

Tom Barse, a farmer from Mount Airy, said nutrient management programs are worrying to the agricultural community, who believe overly onerous regulations could drive them out of business.

"We're scared," he said.

Cardin said he believes officials must find common-sense ways of preserving the environment. Nutrient trading programs are one way to support cleanup efforts without burdening farmers, he said.

He agreed with another business owner that the government should reach out to small businesses to help them understand the Affordable Care Act.

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THE WALL STREET JOURNAL.

Lower Taxes Tapped a Beer Revolution

When Ford was president there were 50 breweries. Now, there are 2,300.

May 1, 2013

By Tom Acitelli

Today there are more than 2,300 breweries in the United States—where beer production is second only to China's—but it wasn't long ago that American beer was an international punch line. Embodied by yellowy lagers in aluminum cans, nearly all domestic beer was made by a handful of breweries like Miller and Anheuser-Busch. As recently as 35 years ago, there were fewer than 50 breweries in the whole country, and the fastest-growing type of American beer was light, which Miller introduced in 1975.

The story of the U.S. ascent to the top tier of world beer began in the late 1970s, when brewing was liberated from government taxation and regulation that had held it back since Prohibition.

In 1976, Henry King, a gregarious World War II hero whose favorite drink was a whiskey-based Rob Roy, trained the attention of his U.S. Brewers Association, the industry's biggest trade group, on Congress. The brewing industry had been trying unsuccessfully for years to get Washington to lower excise taxes on beer produced by smaller brewers.

King was determined to change things. In an impressive feat of bridge-building, he lined up support from the industry's labor unions as well as its owners. Steelworker and glassworker unions called in favors; the big brewery owners wrote personal checks. These owners, whose excise taxes would remain the same, figured that by helping their smaller brethren, they would ultimately help themselves by inspiring more beer consumption in an American alcohol market suddenly awash with California wines.

Brewer Peter Stroh—whose family name was a mainstay of Midwestern beer—lobbied a fellow Michigander, President Gerald Ford, to sign the bill that King's efforts finally steered through Congress. H.R. 3605 cut the federal excise tax on beer to \$7 from \$9 per barrel on the first 60,000 barrels produced, so long as a brewery produced no more than two million barrels annually. (There were few breweries that did, which was another reason King's association went to bat for the tax cut.)

The tax cut unleashed a revolution in American brewing. Hundreds of smaller breweries began to open across the country selling what came to be called craft beer. But as significant as the numbers was the rise of American brewers and consumers as the industry's tastemakers. Nowadays, craft-beer startups in places like France, Italy and Japan are less likely to look for inspiration in the traditional pilsners and heavy ales of Northern Europe than in the hopped-up India pale ales of California and the smooth bitters of New England.

Some of the stars of American craft beer, such as Ken Grossman of Sierra Nevada and Sam Calagione at Dogfish Head, got their start with home brewing—an activity that until the late 1970s was illegal in the U.S.

The repeal of Prohibition in 1933 legalized home winemaking, but, because of an oversight, did not legalize home-brewing of beer. Stores that sold supplies for winemaking also sold supplies for making beer at home, and the government did little to enforce the anti-home-brewing law.

Still, the air of illegality discouraged many who might have taken up home-brewing, and importers were reluctant to bring home-brewing supplies from Europe. Enthusiasts in the U.S. kept their interests underground, usually sharing information only with a small circle of other home brewers. Who knew when the government might start enforcing the home-brewing prohibition?

Gradually, though, the secretive home brewers grew bolder. In the 1970s—about when Henry King was lobbying Congress to cut the beer tax—home-brewing clubs in California, where America's craft-beer revolution began, joined with trade groups representing the winemaking shops that sold home-brewing supplies. They lobbied California Sen. Alan Cranston to introduce legislation legalizing home-brewing at the federal level.

Cranston introduced legislation that was reconciled with a House bill in August 1978. President Carter signed the law that October, and it took effect the following February. Home-brewing of up to 200 gallons a year per household was suddenly permitted.

Following the federal example, state legislatures also began rewriting their bans on home-brewing, and it is legal now in every state except Alabama. The result: Home-brewing took off, helping to spur the movement toward craft beer that had been touched off by the beer tax reduction. The beer industry swelled in the 1980s and 1990s, producing thousands of jobs and tens of millions of dollars in annual tax revenue.

The rise of American beer wasn't an accident. It was spurred by efforts to cut taxes and regulation that unleashed entrepreneurship. Too bad Washington doesn't raise a toast to that idea more often.



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