



Strengthen Small Businesses and Grow American Jobs: Small Brewer Federal Excise Tax Recalibration Legislation

The Brewers Association seeks to promote and protect small, independent American brewers, their craft beers and the community of brewing enthusiasts. The Brewers Association represents more than 2,400 small and independent brewers across the nation. America's small, domestic brewers include 124 brewing companies that produce between 15,000 and 6 million barrels of beer per year, 1,813 microbreweries that produce less than 15,000 barrels per year and 1,334 brewpubs (brewery restaurants) that sell 25% or more of their beer on site. By comparison, the largest multi-national brewer operating in America sells 97 million barrels per year domestically and over 350 million barrels worldwide.

Nationally, small and independent brewers employ approximately 110,273 full- and part-time employees and generate more than \$3 billion in wages and benefits, and pay more than \$2.3 billion in business, personal and consumption taxes. These brewers are vital small businesses in communities across the country, typically employing 10 to 100 employees.

Consumer demand for the bold and innovative beers brewed by America's small brewers has grown significantly in recent years. But beer produced by small, purely domestic brewers still represents only 13% of the beer sold nationwide. As small businesses, small brewers face many economic challenges. Because of differences in economies of scale, small brewers have higher costs for production, raw materials, packaging and market entry than larger, well-established multi-national competitors. Furthermore, efforts to increase state taxes for all brewers continue to threaten jobs and their economic stability.

To help strengthen American small businesses and preserve Main Street jobs, the Brewers Association supports legislation to recalibrate the federal beer excise tax rate for America's small brewers. On January 8, 2015, H.R. 232 (the Small BREW Act), legislation seeking a recalibration of the federal excise tax rate for small brewers, was introduced in the 114th Congress. In the last Congress, 182 U.S. Representatives and 47 U.S. Senators supported bipartisan legislation (H.R. 494 and S. 917) seeking the same recalibration of the small brewer excise tax rate.

- Currently, a small brewer that produces less than 2 million barrels of beer per year is eligible to pay \$7.00 per barrel on the first 60,000 barrels produced each year. The Small BREW Act seeks to adjust this rate to \$3.50 per barrel, providing approximately \$34 million per year (based on 2013 data) to help strengthen our nation's smallest brewers and support their efforts to maintain and generate jobs.

- Once production exceeds 60,000 barrels, a small brewer must pay the same \$18 per barrel excise tax rate that the largest brewer pays at 97 million barrels. The Small BREW Act would adjust this tax rate to \$16 per barrel on beer production above 60,000 barrels up to 2 million barrels, providing small brewers with an additional \$33 million per year (based on 2013 data) that would be used to support significant long-term investments and create jobs by growing their businesses on a regional or national scale.
- The small brewer tax rate was established in 1976 and has never been updated. Since then the annual production of the largest multi-national brewer operating in America increased from about 45 million to 97 million barrels. The ceiling defining small breweries is 2 million barrels. The Small BREW Act would raise this ceiling to 6 million barrels to more accurately reflect the intent of the original differentiation between large and small brewers in the U.S.

The Brewers Association urges you to support legislation to create a graduated beer excise tax rate of \$3.50 and \$16 for America's small brewers. An economic impact study based on work by Dr. John Friedman of Brown University on the excise tax and jobs creation legislation introduced in the 113th Congress found that the bill would generate approximately \$205 million in economic activity in the first year and \$1.2 billion over five years. Net federal tax revenue would fall by \$19.7 million in the first year and only \$129.9 million over five years. The study concludes that over five years such a recalibration would generate 5,858 jobs in the first year and an average of 570 jobs in each of the subsequent years.

The following chart summarizes the potential benefit for the impacted barrelage tiers. Note that brewers over 60,000 barrels benefit at both the less than 60,000 proposed tax rate and the 60,000 to 2 million barrel tax rate. Brewers between 2 million and 6 million barrels benefit for their barrels up to 2 million.

Barrels	Total Barrels	Total Industry Current Tax	Total Industry Proposed Tax	Savings
<60K	9,280,084	\$66,940,586	\$32,480,293	\$34,460,293
60K – 2M	16,642,978	\$299,573,596	\$266,287,641	\$33,285,955
2M – 6M	2,190,000	\$39,420,000	\$39,420,000	\$0

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