

**S. 375 – BREWERY OWNER-CEO MODEL LETTER**

(Month) (Day), (YEAR)

Senator (XXXXXX)

(Address)

Washington, D.C. 20510

Dear Senator (XXXX),

I greatly appreciate the opportunity to discuss co-sponsorship of S. 375, the Small Brewer Reinvestment and Expanding Workforce Act (Small BREW Act), a bipartisan bill introduced by Senators Cardin and Collins to create a graduated beer excise tax rate of \$3.50 and \$16.00 for America's small brewers. Legislation containing the same excise tax recalibration provisions (S. 917) was introduced last session and received the support of 47 U.S. Senators.

Small brewers are Main Street businesses with a successful record in creating manufacturing and hospitality jobs. Nationally, small brewers employ over 110,000 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. Small brewers are vital small businesses in communities across the country, typically employing 10 to 50 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, independent brewers still represents only about 12% of the beer sold nationwide. As small businesses, we face many economic challenges. Due to differences in economies of scale, small brewers have higher costs for production, raw materials, packaging and market entry than our much larger competitors. Furthermore, efforts to increase state taxes for all brewers continue to threaten jobs and cloud the prospects for our business future.

The small brewers excise tax rate enacted by Congress in 1976 has helped to nurture the development and growth of the craft beer industry in America. However, the beer industry in America has changed considerably in 39 years. The annual production of America's largest brewery has risen from about 45 million barrels to around 97 million barrels. Today, the two top players in the U.S. beer market are global companies that account for more than 87% of domestic beer production.

In light of these significant changes, I believe that it is important for Congress to update the small brewers tax rate so that it can continue to support a diverse and competitive marketplace. An important provision of S. 375 would raise the ceiling defining small breweries from the current 2 million barrels annual production to 6 million barrels. This higher barrelage threshold helps, to a degree, account for the significant growth of the large breweries and more accurately reflects the intent of the original differentiation between large and small brewers in the U.S.

Thus, for small brewers that produce less than 6 million barrels of beer, the bill provides two benefits:

- 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. Adjusting this rate to \$3.50 per barrel would provide approximately \$34 million per year 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 \$18.00 per barrel excise tax rate that the largest brewer pays at almost 100 million barrels. Adjusting the tax rate to \$16.00 per barrel on beer production above 60,000 barrels up to 2 million barrels would provide small brewers with an additional \$33 million per year that would be used to support significant long-term investments and create jobs by growing their businesses on a regional or national scale.

Any barrel over 2 million (about 87% of U.S. beer production) would continue to be taxed at a rate of \$18.00 per barrel.

An economic impact study by Dr. John Friedman of Harvard University found that the provisions outlined above would:

- Generate more than 6,000 new jobs over the first twelve to eighteen months followed by an average of 570 new jobs per year over the next four years.
- Create new jobs costing less than \$3,400 in foregone federal revenue as compared with \$92,000 in spending required to create one job under the American Recovery and Reinvestment Act of 2009.
- Generate approximately \$205 million in economic activity in the first year and more than \$1.2 billion over five years.

I will follow-up with your office in the near future about co-sponsorship of S. 375. If you have any questions in the meantime, please contact me at (XXXXXX). Thank you for your time and consideration.

Sincerely,