A. FEDERAL / NATIONAL / INTERNATIONAL

Small Brewer Federal Excise Tax Legislation
H.R. 232, the Small Brewer Reinvestment and Expanding Workforce Act (Small BREW Act), was introduced in the 114th U.S. Congress on January 8 by Representatives Erik Paulsen (R-MN) and Richard E. Neal (D-MA). Joining as original co-sponsors of the bill were Representatives Peter De Fazio (D-OR), Earl Blumenauer (D-OR), Patrick McHenry (R-NC) and Patrick Meehan (R-PA).

On February 4, Senators Ben Cardin (D-MD) and Susan Collins (R-ME) introduced S. 375 in the U.S. Senate.

Supported by the Brewers Association, the Small BREW Act seeks to reduce the small brewer rate on the first 60,000 barrels by 50 percent (from $7.00 to $3.50/barrel) and institute a new rate $16.00 per barrel on beer production above 60,000 barrels up to 2 million barrels. Breweries with an annual production of 6 million barrels or less would qualify for these tax rates. Legislation introduced in the last Congress, H.R. 494, gained a total of 182 total sponsors. In the Senate, companion legislation S.917 realized 47 total sponsors.

Alternative Excise Tax Legislation Introduced
Introduced on February 5, 2015, H.R. 767, the Fair Brewers Excise and Economic Relief Act, seeks to impose a graduated federal excise tax on all brewers (no qualifying production threshold and including multi-national companies) and beer importers with the following structure: no excise tax on the first 7,143 barrels; $3.50/barrel on barrels 7,144-60,000; $16/barrel on barrels 60,001-2 million; and $18/barrel on every barrel above 2 million. The Brewers Association has issued a statement concerning this legislation.

CIDER Act Introduced in Congress
Congressmen Earl Blumenauer (OR-03) and Chris Collins (NY-27) have introduced the H.R. 600, the Cider Industry Deserves Equal Regulation (CIDER) Act. The legislation would amend the tax code pertaining to wine and related beverages to support the growing number of craft and entrepreneurial cider makers, and tailor IRS rules to reflect variations in craft ciders across the country.

New Bond and Filing Criteria for Certain Small Producers Proposed
The U.S. Department of the Treasury released information explaining revenue proposals in the President's FY 2016 Budget which includes a proposal exempting any distilled spirits, wines, and beer taxpayer who reasonably expects to be liable for not more than $50,000 per year in alcohol excise taxes (and who was liable for not more than $50,000 in such taxes in the preceding calendar year) from the bond requirement. Additionally, the proposal would allow any distilled
spirits, wine, or beer taxpayer with a reasonably expected alcohol excise tax liability of not more than $1,000 per year to file and pay such taxes annually rather than on a quarterly basis.

B. THE STATES

Sales, Distribution and Franchise:

Connecticut
House Bill 6455 seeks to allow restaurants and bars to fill growlers.

House Bill 6078 would allow small beer manufacturers to sell kegs of beer directly to consumers.

Senate Bill 392 seeks to create a farmers' market beer and spirits permit to allow the sale of Connecticut manufactured beer and spirits at farmers' markets.

Florida
Rewritten to address concerns raised in an administrative lawsuit filed against the state (since dropped) which called into question the ability of breweries to operate taprooms, Senate Bill 186 now authorizes the issuance of vendor’s licenses to manufacturers of malt beverages for the sale of alcoholic beverages on property that includes a brewery. It deletes the requirement that the licensed property must include “other structures which promote the brewery and the tourist industry of the state” in order to be eligible to be a vendor-licensed brewer. The bill retains previously included provisions to authorize the sale of malt beverages packaged in individual containers of 32, 64 or 128 ounces by certain license holders if they are filled at the point of sale and have an unbroken seal or are incapable of being immediately consumed. Each container must also be imprinted or labeled with information specifying the manufacturer and the brand of malt beverage.

H.B. 107, among other provisions, would expressly allow taproom sales to consumers for on-premises or off-premises consumption (including growlers) without obtaining a vendor's license. Additionally, the bill provides for written franchise agreements of no more than 5 years’ duration if the supplier is not a “primary manufacturer” defined as one providing more than 50 percent by volume of the malt beverages purchased by and delivered to a distributor per calendar year and self-distribution of up to 5,000 barrels annually.

Georgia
Senate Bill 63 seeks to allow breweries to sell up to 72 ounces for on-premise consumption and 144 ounces for off-premise consumption per day from the brewery premises. The bill also provides for brewpub sales for off-premise consumption.

Hawaii
Companions House Bill 217 and Senate Bill 221 permit the liquor commission to allow a restaurant licensee to sell malt beverages manufactured on the restaurant premises in brewery-
sealed kegs and growlers and define "growler" as a glass or metal container, not to exceed one half-gallon, which shall be securely sealed.

**Senate Bill 1151** and **House Bill 770** authorize brewpubs and small craft producer pubs with a liquor license to sell for off-premises consumption malt beverages purchased from another liquor licensee and authorizes restaurants and retail dealers with a liquor license to sell beer, malt beverages, wine, or cider for off-premises consumption, under certain conditions.

**Indiana**
Passing committee, **H.B. 1053** seeks to allow a microbrewery and a farm winery that occupy the same building to sell by the glass the microbrewery's beer and the farm winery's wine from the same service bar, without a structure separating the service of wine and the service of beer.

**House Bill 1162** allows for the sale of growlers by package liquor stores.

**Maine**
L.D. 122, titled An Act to Standardize Pints of Beer Sold in Maine, requires that if an on-premises retail liquor licensee offers for sale a pint of malt liquor, the container it comes in must have a capacity of at least 16 fluid ounces.

**Minnesota**
House Bill 70 and **House Bill 121** seek to allow small brewers to sell growlers on Sundays.

**Senate Bill 373** further defines the retail sales abilities of brewpubs and small breweries, including the sale of growlers.

**Mississippi**
The Microbrewery Modernization Act of 2015, **House Bill 1158**, seeks to provide that a holder of a permit to manufacture beer who operates a brewery may sell limited amounts of beer on the premises of the brewery, that beer provided for sale must be manufactured in this state by the holder of the permit at the brewery and that authorized beer sales may be made only to persons on the premises of a brewery in conjunction with a tour of the brewery.

**Montana**
House Bill 326 increases the number of barrels allowed to be produced by a small brewery from 10,000 to 60,000, allows a licensed brewer that manufactures less than 60,000 barrels of beer per year to obtain a retail on-premise all-beverage license or a retail on-premise beer license, and allows a retail on-premise all-beverage license holder or a retail on-premise beer license holder to obtain a brewer’s license. Breweries with annual nationwide production between 10,000 and 60,000 barrels would be limited to 500 barrels annually for on-premise consumption, however those with annual nationwide production between 100 and 10,000 barrels would not be subject to this limitation.

**New Hampshire**
H.B. 429 calls for reviving the commission to review and consider alcoholic beverage manufacturing processes and retail sales at manufacturing facilities.
House Bill 554 authorizes the sale of beer in refillable containers.

Senate Bill 216 seeks to allow a beverage manufacturer or nano-brewery to sell beverages for consumption on its premises without serving food.

New Mexico
Senate Bill 238 seeks to allow New Mexico craft breweries who hold both a small brewers license and either a restaurant or a dispenser license to also obtain a wholesalers license, thereby allowing them to sell their beer to retail license holders.

S.B. 258 would allow growler sales for those holding a small brewer’s license.

North Dakota
Senate Bill 2325 would allow multiple taproom licenses to brewers with an annual production of 25,000 barrels or less.

Oklahoma
Senate Bill 383 would allow liquor stores the option to sell refrigerated high-point beer.

House Bill 1967 and Senate Bill 688 seek to strengthen franchise law respecting low-point beer.

Senate Bill 424 seeks to allow brewery licensees the ability to sell their products directly to consumers on site.

Senate Bill 613 would allow manufacturers of low-point beer with an annual production of 10,000 barrels or less to hold a wholesalers permit.

Oregon
Senate Bill 138 removes the production limit for brewery-public house licensee selling malt beverages, produced by licensee at wholesale, to other licensees of Oregon Liquor Control Commission.

South Dakota
House Bill 1004 would authorize the direct sale of distilled spirits from artisan distillers to retailers and wholesalers.

Washington
House Bill 1198 authorizes the Liquor Control Board to issue an endorsement to a grocery store licensee allowing the sale of beer and cider in a sanitary container brought to the premises by the purchaser, or provided by the licensee or manufacturer, and filled at the tap by the licensee at the time of sale.

H.B. 1342 seeks to allow licensed microbreweries to sell cider produced by a domestic winery for on-premises or off-premises consumption.
West Virginia

**Senate Bill 273** permits licensed brewers and resident brewers to conduct non-intoxicating beer sampling and growler sales for off-premises consumption. Additionally, the brewpub bonding requirements are removed.

**Senate Bill 290** allows production breweries the same growler sales privileges (up to two a day per customer) as brewpubs.

**S.B. 297** removes the limitation on how much non-intoxicating beer may be sold to consumers for consumption off the premises and authorizes licensees to sell growlers.

**Taxation:**

**Hawaii**

Companion legislation **House Bill 718** and **Senate Bill 759** seek to reduce the per gallon tax rate to twenty-seven cents on beer sold in barrels for the first 60,000 barrels of annual production.

**Nebraska**

**L.B. 204** would provide a tax credit to brewers using crops grown in-state.

**New York**

**Assembly Bill 1719** seeks to authorize a credit for beer produced within New York City by a taxpayer that is registered as a distributor.

**Senate Bill 1553** seeks to increase the gallonage tax on beer to 24 cents (a 10 cent increase).

**Oklahoma**

**House Bill 1858** seeks to raise the excise tax on low-point beer from $11.25 to $46.35 per barrel to account for its exemption from sales tax.

**Oregon**

Companion bills **House Bill 2135** and **Senate Bill 12** seek to remove the prohibition against local government enactment of taxes on alcoholic beverages.

**Pennsylvania**

**Senate Bill 73** would extend previously expired tax credits on capital expenditures up to $200,000 to small brewers and removes the limitation that only those with production of 1,500,000 barrels or less qualify.

**South Dakota**

**House Bill 1002** seeks to direct funding to the Department of Revenue to upgrade the electronic tax collection technology for submitting reports and remitting taxes related to alcoholic beverages.
H.B. 1003 would repeal the alcohol wholesaler tax and increase the occupational tax on certain alcoholic beverages.

**West Virginia**

*Senate Bill 98* seeks to increase the barrel tax imposed on non-intoxicating beer by twenty-five percent on each barrel manufactured in the state for sale within the state, whether contained or sold in barrels, bottles or other containers, and imposes a like tax on all non-intoxicating beer manufactured outside of the state and brought in for sale.

**Washington**

Companions *H.B. 1179* and *S.B. 5260* excludes the production of cider from the commodity assessment that applies to vinifera wine grape growers and producers, which funds the advertising of Washington wines through the Washington Wine Commission.

**Wyoming**

*House Bill 140* seeks to raise the excise tax on malt beverages by 4.5 cents per liter.

*House Bill 141* would repeal the excise tax on malt beverages.

**Trade Practice & Other:**

**Arizona**

*Senate Bill 1030* seeks to allow microbrewery licensees to keep certain retail privileges currently revoked if they exceed the 40,000 barrel annual limit for the license. Such licensees that exceed the 40,000 barrel cap would now hold “producer” licenses and be limited to seven non-manufacturing retail licenses (bar, beer and wine bar and restaurant) and lose all self-distribution privileges except to their own locations.

*S.B. 1113* would authorize microbrewery beer festival licenses that allow sampling and sales for both on and off premise consumption.

**Connecticut**

*House Bill 6541* establishes a craft alcoholic liquor distiller permit.

*H.B. 6453* would allow cider manufacturers to conduct on-site tastings.

*House Bill 5770* seeks to require breweries and wineries that are open to the public and have alcoholic liquor available for purchase to also offer nonalcoholic drinks for purchase.

*Senate Bill 3* seeks to prohibit manufacturers and out-of-state shippers from requiring wholesalers to pay for alcoholic liquor upon delivery and to give wholesalers in good standing a reasonable amount of time to pay for such alcoholic liquor.

**Hawaii**

*H.B. 167* would repeal the Deposit Beverage Container Program.
House Bill 348 defines and prohibits the consumption, purchase, possession, or sale of powdered alcohol.

Indiana
Senate Bill 297 changes the amount of the barrels of beer that a microbrewery may manufacture in a calendar year for sale or distribution within Indiana from 30,000 to 60,000.

Senate Study Bill 1031 would prohibit a person or club holding a liquor control license or retail wine or beer permit from selling or possessing alcoholic liquor in powdered or crystalline form for consumption.

Among other provisions, H.B. 1311 raises the barrel limit for a small brewery from 30,000 to 90,000 barrels a year.

Maine
Senate Bill 39 seeks to allow up to 9 tenant brewers per host at a manufacturing facility.

Missouri
H.B. 121 requires a brew-on-premises facility to obtain a license from the Division of Alcohol and Tobacco control.

Montana
House Bill 336 increases the number of barrels (from 10,000 to 60,000) a brewery may produce to qualify as a small brewery and requires that the production of affiliated companies and beer purchased from other brewers be used in determining the amount of production.

Nebraska
Among other provisions, L.B. 330 seeks to grant the Liquor Control Commission clear jurisdiction over alcohol in powder form and defines hard cider as beer instead of wine.

New Hampshire
Senate Bill 99 seeks to establish a committee to study allowing the sampling of beer or wine at farmer's markets.

New Mexico
House Bill 243 defines "growler" to mean a clean, refillable, resealable container that has a liquid capacity that does not exceed one gallon and that is intended and used for the sale of beer, wine or cider for consumption off premises.

New York
A.B. 2305 establishes the New York craft beverage council within the department of economic development to develop a marketing strategy to promote the state's fine wines, spirits and craft brews.
**Senate Bill 1757** seeks to prohibit the sale or offering for sale of any powdered or crystalline alcohol product.

**S.B. 1860** provides for permits for brewers, manufacturers, and importers to serve small samples (three ounces or less) of their beer or malt beverages at specified events.

**North Dakota**

**House Bill 1225** would allow members of the military between the ages of 18 and 21 to purchase and consume alcoholic beverages on military installations within the state if so authorized by the commanding officer of that installation.

**Pennsylvania**

**Senate Bill 122** seeks to implement container (over 128 ounce capacity) registration requirements on distributors.

**Utah**

**House Bill 48** makes it unlawful for a person to use, offer for use, purchase, offer to purchase, sell, offer to sell, furnish, or possess powdered alcohol for human consumption.

**Virginia**

Companions **Senate Bill 1034** and **House Bill 1908** add powdered or crystalline alcohol to the definition of alcoholic beverages and prohibits containers sold in or shipped into the Commonwealth from including powdered or crystalline alcohol.

**Senate Bill 1269** allows a person holding multiple licenses for the manufacture of wine, beer, spirits, or cider to provide samples of any alcoholic beverage produced on the licensed premises to persons under certain conditions.

**S.B. 1272** creates a limited distiller's license for distilleries that (i) manufacture no more than 36,000 gallons of spirits per calendar year, (ii) are located on a farm in the Commonwealth on land zoned agricultural and owned or leased by such distillery or its owner, and (iii) grow agricultural products on the farm that are used in the manufacture of its alcoholic beverages.

**Senate Bill 1273** requires the ABC Board to adopt regulations that prescribe the terms and conditions under which tour guides employed by a licensed brewery that manufactures no more than 10,000 barrels of beer during the license year may consume samples of the beer manufactured on the licensed premises while conducting tours of the premises. The bill provides that the samples of beer shall not exceed four ounces, that no more than three product samples may be consumed by the tour guide, and that the purpose of the consumption is to feature and educate the consuming public visiting the licensed premises about the beer being tasted.

**H.B. 1678** expands the privileges of a distiller's license to include the giving of samples of spirits to any person to whom alcoholic beverages may be lawfully sold in designated areas at events held by the licensee for the purpose of featuring and educating the consuming public about the spirits being tasted and provided that (i) no single sample shall exceed one-half ounce per spirits product offered and (ii) no more than three spirits products may be offered to any patron.
Companions House Bill 2338 and Senate Bill 1412 would allow a winery, brewery, or distillery licensee to pay royalties to a historical preservation entity for the use of its trademarked authentic historical recipes in the manufacture of wine, beer, or spirits.

**Washington**
House Bill 1124 allows licensees permitted to sell beer or wine for on-premises consumption to also serve samples of beer and wine up to a total of six ounces per day.

House Bill 1768 and Senate Bill 5662 would allow a licensed domestic brewery or microbrewery to provide branded promotional items, which are of nominal value, to certain nonprofit charitable corporations and associations.

Senate Bill 5292 seeks to ensure the use, purchase, sale, and possession of powdered alcohol is treated in the same manner as other liquors.

**Wyoming**
House Bill 82 seeks to raise the barrelage cap for a “microbrewery” from not more than 15,000 barrels to not more than 50,000 barrels.

Passing the Senate, Senate File 106 makes it unlawful for a person to use, offer for use, purchase, offer to purchase, sell, offer to sell or possess powdered alcohol.