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Year of the Tax Cut Helps Brewers

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It seems the tax-cutting fervor in the nation's capital is good news for brewers.

After languishing in Washington, D.C., for nearly a decade, the Craft Beverage Modernization and Tax Reform Act has finally passed.

"This is a monumental day …," said Bob Pease, president and CEO of the Brewers Association, an organization that represents small and independent craft breweries. "Our expectation is that small brewers will use their savings … to invest in their breweries, expand their operations, create more jobs and hire more American workers."

The measure passed in December as a part of a massive tax bill that rewrote a significant amount of the country's existing tax code and dramatically cut corporate taxes.

Currently, a small brewer that produces fewer than 2 million barrels a year pays $7 a barrel in taxes on the first 60,000, and $18 a barrel for every one after that up to 6 million. The proposal would reduce the under-60,000 rate to $3.50 a barrel and the over-60,000 rate to $16.

The Virginia Brewers Association says these savings, estimated at $142 million in total, would "help strengthen our nation's smallest brewers…."

The bill would also:

- Expand the list of ingredients that could be included in a beer without approval from the Alcohol and Tobacco Tax and Trade Bureau (TTB).These ingredients include fruit, fruit juices, fruit puree, and fruit concentrate.
- Allow brewers to collaborate by giving them the flexibility to transfer beer between breweries without paying tax.
- Reduce the excise tax on beer, certain wines, and distilled spirits.

According to the Brewers Association, the bill would help the more than 6,000 U.S. breweries and create almost "9,000 jobs in the first 12 to 18 months in the American small brewing sector alone."

The tax reform act was introduced in the Senate by Sen. Ron Wyden (D-OR), the ranking Democrat on the Senate Finance Committee. Sen. Roy Blunt (R-MO) was the lead Republican on the bill. There were 48 sponsors in the U.S. Senate for the bill and 262 in the U.S. House of Representatives.

But the legislation was not without its detractors. Alcohol Justice, a California-based nonprofit advocacy, research, and policy organization that monitors the activities of the alcohol industry, said the tax proposal was deceptive and would greatly benefit "Big Alcohol" at the expense of taxpayers.

The group said the bill will cost taxpayers $321 million in tax revenue, giving some $50 million of it to craft brewers producing more than 2 million barrels.

But such criticisms haven't dampened the spirits of Steve Crandall, CEO of Devils Backbone Brewing Company. Crandall lobbied for the bill for eight years. He was a board member of the Brewers Association before Anheuser-Busch InBev acquired Devils Backbone in 2016.

"There has been a lot of sentiment on getting this tax-reduction done," he said.