



Craft beverage groups say law change will lead to new hires, greater growth

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Wisconsin craft beverage groups say a recent national law change will lead to new hires and greater growth for producers in the state.

While all producers of wine, beer and spirits will see lower taxes during calendar years 2018 and 2019 as a result of the Craft Beverage Modernization and Tax Reform Act, the biggest tax cuts will go to smaller businesses.

Brewers producing more than 2 million barrels annually will pay \$16 per barrel on the first 6 million barrels, down from \$18 per barrel. But small brewers -- producing less than 2 million barrels annually -- will pay \$3.50 per barrel on the first 60,000 barrels produced, rather than the standard \$7 per barrel.

William Glass, president of the Wisconsin Brewers Guild and head of the Brewing Projekt in Eau Claire, thinks this change is a step in the right direction. But he adds: "I wish it would have been a more permanent solution."

In the next two years, he's hoping this tax cut will lead to more growth in the industry, showing that moving in this direction is good both for the state's brewers and for Wisconsin's economy overall.

Karben4, a Madison-based craft brewer, is picking up enough in tax savings to hire another whole worker, Glass says.

With production capacity for 15,000 barrels per year, Karben4 supplies thousands of retailers. Assuming production capacity is reached for this year, the company will pay \$52,500 in excise taxes rather than \$105,000.

Distillers will pay a much lower excise tax on the first 100,000 gallons produced -- \$2.70 per proof gallon of liquor, down from \$13.50 per gallon. Bigger producers making over 100,000 gallons per year will save 16 cents on every gallon between 100,000 and 22 million gallons produced.

Brian Sammons, president of the Wisconsin Distillers Guild and head of Twisted Path Distillery in Milwaukee, says this law change "immediately means I'm going to hire more people" in sales and marketing.

Keeping those couple extra dollars per bottle is "a straight-up infusion into growing my business," he told WisBusiness.com.

"The main thing holding back my business is cash -- same issue with other small distillers," he said. "The stimulative effect will be very direct."

Since “virtually all” distilleries in the state produce under 100,000 gallons, this benefit will be widely felt among Wisconsin distillers, Sammons added.

Wine producers will receive tax credits on a graduated scale. Credits equal \$1 per wine gallon on the first 30,000 gallons removed or imported, 90 cents on the next 100,000 wine gallons, and 53.5 cents on the next 620,000 wine gallons.

“We’re going to pay less in taxes -- that’s what it comes down to,” said Ryan Prellwitz, president of the Wisconsin Winery Association and head of Vines and Rushes Winery in Ripon. “It’s going to create more economic impact.”

With more money left in the hands of producers, he expects a big boost to Wisconsin wine businesses both in terms of new hires and capital investment. He says he will hire more workers at his Ripon location as a direct result of the law change.

“The more money a local business like mine can keep, the more resulting investment and employees,” he said. “Whether that’s hiring, buying more tanks... Whatever it is, it’s impacting economic development in the local region one way or another.”

The national cost of the law in lost excise tax revenue is estimated at \$321 million by Alcohol Justice, a nonprofit organization which refers to itself as “the industry watchdog.”

A report from the group’s research manager -- a former tobacco control researcher at the University of California, San Francisco -- found the majority of that amount is going to distillers producing over 100,000 gallons.

Smaller producers are getting larger tax cuts through the act. But in a recent report, Research Manager Carson Benowitz-Fredericks said “the bill’s name is highly deceiving, as the largest impacts are for distilled spirits and large brewer excise tax reduction, not for incentives to the smaller production craft brew industry.”

Breweries employ the most of these three beverage segments -- over 56,000 in 2014 -- while wineries and distilleries together make up a much smaller piece of the pie. Distillers only began popping up in Wisconsin since 2006, and the entire winery and grape growing industry for the state supported just a little over 2,000 jobs in 2011.

Listen to a podcast from late 2017 with Sammons: <http://wisbusiness.com/index.Impl?Article=388245>

See the report from Alcohol Justice: <http://alcoholjustice.org/images/reports/reports-full/CraftBevImpact.pdf>

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