



NEW YORK STATE SENATOR

Lee M. Zeldin

## Senate Passes Bills to Grow Craft Brewing Industry in New York

LEE M. ZELDIN June 18, 2012

| ISSUE: **ECONOMIC DEVELOPMENT, TAXES**

The state Senate today passed three bills to help grow and expand the craft beer industry in New York State. The bills, which represent a three-way agreement among the Senate, Assembly and Governor Cuomo, will protect an important tax benefit for small breweries that produce beer in New York, create a Farm Brewery license that will allow craft brewers to expand their operations through opening restaurants or selling new products and will exempt breweries that produce small batches of beer from paying an annual State Liquor Authority fee.

“New York’s craft breweries create fantastic beer, but just as important, they have a strong and growing impact on our economy because they create jobs, support agriculture and promote tourism,” Senate Majority Leader Dean G. Skelos said. “Senator Zeldin and Senator Ritchie did an outstanding job working with the Governor and the Assembly to reach agreement on these bills that will help encourage a thriving industry to expand and create more jobs.”

Legislation (S7728) sponsored by Senator Lee Zeldin (R-C-I, Shirley), would provide a refundable corporate franchise and personal income tax credit for beer produced in New York.

“It is critically important to do everything in our power to help New York's craft brewers succeed. This industry has thrived and expanded over the past decade while other industries have suffered and jobs have been lost. That’s why I, as sponsor of this legislation, am excited to have been able to secure an agreement to keep New York’s craft beer flowing,” said Senator Zeldin. “This legislation provides brewers with a tax credit and bottle label exemption and is exactly what our state’s economy needs. It will enable brewers large and small, from Blue Point Brewery in my district, to Matt’s Brewery in Utica, to continue to expand and grow, create jobs and keep the price of New York's craft beer competitive.”

The legislation creates a two-tiered credit of 14 cents per gallon for the first 500,000 gallons of beer brewed and 4.5 cents per gallon for the next 15 million gallons. The maximum available credit will be \$745,000. Only breweries that brew less than 60 million gallons a year will be eligible for the credit.

The legislation will exempt breweries that produce beer in batches of 1,500 barrels or less annually (regardless of location) from the \$150 annual label fee. This exemption, which will be eligible to brewers in and outside of the state, will save New York breweries tens of thousands of dollars, and will help smaller breweries retain the capital they need to grow their operations and create jobs.

New York's craft brewing industry consists of more than 90 breweries that account for thousands of jobs and more than \$200 million of economic activity each year.

The Senate also passed legislation (S7727), sponsored by Senator Patty Ritchie (R-C, Heuvelton), that will create a farm brewery license to promote growth of craft breweries.

In an effort to increase economic activity, create jobs and increase tourism, the bill will allow craft brewers that use products grown in New York State to operate in a similar manner to

the state's farm wineries.

"This legislation is a big victory for agriculture in New York because it will help expand a rapidly growing industry, especially in Northern and Central New York," Senator Ritchie said. "Ultimately, this bill is about creating jobs and strengthening our economy. Farmers that grow crops that support these breweries will benefit, as will our tourism industry that is critically important in our region."

The new brewery license will enable breweries that manufacture 60,000 gallons or less annually of New York State labeled beer to sell their products at retail outlets and for off-premises consumption; as well as to open restaurants, conference centers, inns, bed and breakfasts or hotels on or adjacent to the farm brewery. A licensee may operate up to five branch offices away from the farm brewery.

The bill also creates a new category of alcohol called "New York State Labeled Cider," which is cider made exclusively from apples grown in New York State.

A third bill (S7019), also sponsored by Senator Ritchie, will exempt farm wineries, farm distilleries and farm breweries from a costly and burdensome tax filing requirement.

Currently, the Tax Law requires all beer, wine, and liquor wholesalers in New York to report sales made to restaurants, bars, and other retailers.

"Farm wineries, distilleries and breweries are often small operations run by families that have a difficult time affording the expense of this reporting requirement," Senator Ritchie said. "They already keep sales records that are available to the Tax Department, making the sales reporting requirement unnecessary."

"Agriculture is one of the oldest industries in the state and this bill combines it with craft breweries, which is one of the fastest growing," Senator Joseph Griffo (R-C, Rome) said.

"Bringing them together, as these measures do, will help create jobs in the Mohawk Valley and throughout the state. Promoting craft breweries and agriculture is common sense and good economic policy."

"The tax breaks for small breweries, along with the many opportunities for expansion created by this legislation, will benefit a growing industry and result in the creation of new jobs," Senator Mark Grisanti (R, North Buffalo) said. "Small businesses are a catalyst for job growth and I am pleased to see state government supporting New York State's vibrant craft beer and wineries that will have new opportunities for success as a result of our actions."