



NEW YORK STATE SENATOR

Timothy M. Kennedy

## Kennedy Partners With WNY Brewers and Distillers to Unveil New Legislative Package to Spur Growth in Local Craft Businesses

TIMOTHY M. KENNEDY December 9, 2015

| ISSUE: **CRAFT BEER, DISTILLERS, SMALL BUSINESS**

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*After Hosting Roundtable Discussion With Local Craft Beverage Producers, Kennedy Pens Several Pieces of Legislation to Cut Through Red Tape and Address Growing Business Concerns*

*Senator Also Invites NYS Liquor Authority Chairman to Buffalo to Tour Booming Industry, Meet with Local Producers*

BUFFALO, NY – Senator Tim Kennedy (D-Buffalo) today stood with brewers and distillers from across Western New York to unveil a comprehensive legislative package designed to cut through existing red tape and alleviate burdens currently facing many NYS craft producers. Among the proposed changes: giving tax break to farmers who choose to produce craft hops, malt and wheat in New York State, repealing a law that prohibits restaurants and bars from serving cocktails on tap, and creating deposits for kegs and taps, which are commonly distributed but often go unreturned, burdening producers with replacement costs. Additionally, new legislation brings brewers into the 21<sup>st</sup> century by allowing them to file excise taxes electronically, instead of by mail. This legislative package was inspired after Kennedy spoke at length with local brewers and distillers this fall about struggles they currently face.

“During our September Roundtable at Flying Bison Brewery, our Western New York craft producers came to the table prepared. In addition to discussing ways New York is already helping their businesses grow, we also discussed their concerns about archaic laws that continue to restrict their bottom lines and hold them back from growing to their full potential,” said **Senator Tim Kennedy**. “New York State is home to more than 370 distilleries, breweries and cideries, and more than 200 of those businesses have popped up since 2012 alone. While the industry continues to flourish, any small business owner will tell you that every penny counts. As these folks choose to invest in Buffalo, it’s our responsibility to make sure we’re allowing them to take full advantage of the possibilities our region can offer, and protect them from losing out on revenue and productivity due to outdated, preexisting mandates.”

Bills included in the legislative package take steps to:

- **Give the Green Light to Cocktails on Tap:** Legislation would repeal law that prohibits mixing premixing liquor or wine with other ingredients to create mass cocktails, with or without tap, bringing New York State in line with many states across the country that already allow this.
- **Introduce Tax Breaks for Farmers Harvesting Craft Beverage Ingredients:** Bill would forgive tax amounts equal to those placed on hops, malt and wheat production. Credit will also apply to the cost of seed, fertilizer, equipment, utilities and salaries and will make New York State grown raw ingredients more competitive for beverage producers.
- **Create an easier, faster and more accessible way to file excise taxes:** Brewers and distillers are currently forced to file their taxes by paper; new bill would eliminate tedious burden and allow businesses to file taxes electronically, saving valuable time.
- **Reinstate deposits for kegs; introduces deposit for taps:** Currently, it is more profitable to scrap a keg for its metal parts than to return it to craft producers, who are forced to absorb this cost differential. Bill would create a \$50 keg deposit and \$25 tap deposit to be forfeited if not returned by bars/restaurants.
- **Align tax measurements and payments with federal law:** Craft business owners noted the complication of calculating two measurements and payments on alcoholic sales. New legislation would create uniform liquid volume measurements between federal tax laws and state tax laws.
- **Repeal New York State's Blue Laws:** Current law restricts establishments from selling alcoholic beverages at certain hours on Sunday mornings and on Christmas Day, which ultimately hinder sales these small business owners could be making. This bill would repeal these restrictions.

“As one of Buffalo’s newer breweries, we’ve received an incredible welcome. Our customers have raised a pint and made us truly understand why we’re known as the City of Good

Neighbors,” said **Matt Kahn, President of Big Ditch Brewing Company**. “As our business continues to grow, now more than ever we appreciate Senator Kennedy’s attempts to help local brewers maximize their potential by eliminating antiquated policies and fighting for protections that ultimately will strengthen their bottom line.”

"Community Beer Works praises Sen. Kennedy for taking the initiative to put together a legislative agenda supporting NYS's small businesses in the beer, wine & spirits industries," said **Community Beer Works President and NYS Brewers Association Board Member Ethan A. Cox**. “Reforms such as those Sen. Kennedy is proposing will bring NY in line with the regulatory climate of other states with vibrant alcoholic beverage industries and will bolster NYS' 3.5 billion dollar brewing industry".

“Any tax rollback allows our brewery money to spend on job creation and on ingredients to make more beer, which generates both more jobs and more tax dollars. Additionally, higher deposits on kegs have cut our losses to only 10% per year - still too much, but a vast improvement. Tap handle losses are in the 90 to 100% range. Small breweries need help to stem these losses,” said **Tim Herzog, President of Flying Bison Brewery**. "It would help both the SLA and the brewers to meet face to face. We could solve more in 10 minutes than we could in dozens of rulings and memos."

“The beer business in NYS is tried and true- we at Pearl Street are in the process of opening our third brewery at Buffalo Riverworks, and have continued to see growth in beer sales even with the explosion of other breweries in Western New York,” said **Pearl Street Grill and Brewery Head Brewer Chris Herr**. “The Senator’s proposed legislation is cleaning up a highly convoluted code, and it's great to see government supporting small and locally owned businesses.”

“It is outstanding to see NY State and its legislators continuing to support the local beverage industry in this critical period of growth with logical progressive changes to our laws and overall structure,” said **John Russo of Hamburg Brewing**. “Cheers to them!”

“Since the founding of Lockhouse Distillery in 2012, the first distillery since Prohibition here in Buffalo, NY, we have seen the number of distillers and brewers in the Queen City continue to rise,” said **Cory Muscato, Vice President of the New York State Distillers Guild**. “Whether it is Lockhouse, Black Squirrel, Big Ditch Brewing Co, or any other craft beverage producer, our growing businesses face unique challenges. The legislation put forward today by Senator Kennedy, with strong input from local producers, helps to cut through red tape that costs us time and money. Buffalo’s craft beverage industry is just getting started, and this legislation will help to accelerate that growth into prosperity.”

“We have a unique product to offer our customers,” said **Matthew Pelkey, co-founder of Black Squirrel Distillery**. “As distillers, our focus should be on creating the absolute best product that we can – not on navigating the intricacies of outdated liquor laws, and not on breaking out a calculator to convert gallons to liters, and liters to proof gallons. Senator Kennedy’s proposals recognize exactly that. By streamlining some of our most arcane liquor laws, we can get back to what we originally started out to do: craft the best maple syrup-based spirit on the market.”

Kennedy also extended an invitation to SLA Chairman Vincent Bradley, encouraging him to visit and tour Western New York’s growing craft beverage industry, and sit down with the producers making it thrive. A copy of his letter is included below:

Vincent G. Bradley, Chairman

New York State Liquor Authority

80 S. Swan Street, 9<sup>th</sup> Floor

Albany, New York 12210-8002

Dear Chairman Bradley:

As Buffalo continues to prosper, I write to invite you to visit Western New York to see firsthand our thriving craft beverage industry, and to explore new ways that New York State and the State Liquor Authority can work with producers to encourage further growth. I know that you and Governor Andrew Cuomo are committed to our vision of a successful craft beverage industry throughout the state, and I believe that meeting personally with the entrepreneurs that are changing how Western New York drinks would be helpful for all sides as you continue your work with the Governor's working group to reform our state's alcohol laws.

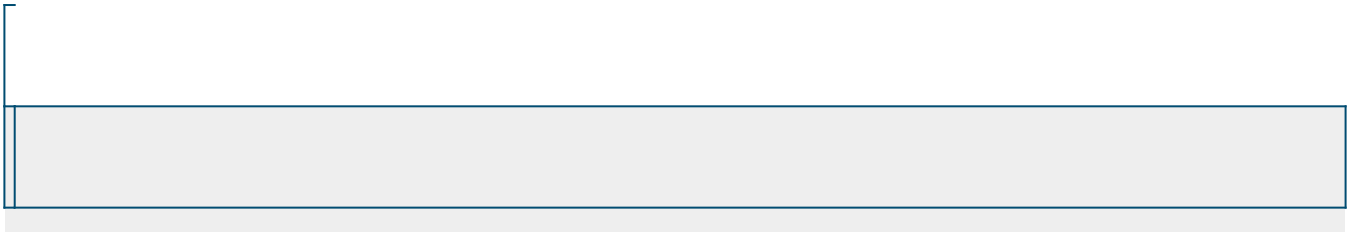
Since the founding of Buffalo's first craft beverage maker in 2000, Flying Bison, we have seen tremendous growth, thanks in large part to Governor Cuomo's laser-like focus on easing the regulatory burdens on these small businesses. From cutting through red tape, to investing in promoting New York State across the country, these changes have proved to be a catalyst for growth, with the industry growing exponentially.

Western New York now produces wine, liquor, and beer, with new establishments such as Big Ditch Brewing Company and Lockhouse Distillery experiencing quick success. I have met personally with the operators of many of these establishments, and they have expressed a desire to have you visit Western New York to discuss further reforms they believe would

help, while demonstrating to you the fruits of the actions the SLA and New York State have already taken.

With your help, we can not only continue this growth, but accelerate it even further. I look forward to hearing from you, and I thank you for your continued efforts to help grow small business craft beverage producers across the state.

Sincerely,



Timothy M. Kennedy

New York State Senator, 63<sup>rd</sup> District