

Credits for Small Brewers, Small Wineries, and Microdistilleries Tax Expenditure Evaluation Summary

Objective

The shared objective of these tax credits is to promote the development and survivorship of small breweries, microdistilleries, and small wineries.

Background

The state of Minnesota offers production-based tax credits to eligible in-state and out-of-state small alcohol producers; brewers who produce fewer than 250,000 barrels of product annually; wineries that produce fewer than 75,000 gallons of product annually; and distillers that produce fewer than 40,000 proof gallons of distilled spirits annually. Brewers receive \$4.60 per barrel up to 25,000 barrels sold in a fiscal year; wineries can claim up to \$136,275 on the excise tax they owe on wine or cider sales the following fiscal year; and distillers receive \$1.33 per liter on 100,000 liters sold to consumers at retail in a fiscal year. In 2023, 346 brewers claimed this credit for an average claim amount of \$5,255. In 2023, 91 wineries claimed this credit for an average claim amount of \$1,297. In 2023, 46 microdistilleries claimed this credit for an average claim amount of \$10,018.

Summary Information

Years Enacted	Credit for Small Brewers – 1985 Microdistillery Credit – 2014 Small Winery Credit – 2017
Statute	Minnesota Statutes 2024, section 297G.04, subdivision. 2; Minnesota Statutes 2024, section 297G.03, subdivision 5; Minnesota Statutes 2024, section 297G.03, subdivision 6
Tax Type	Alcoholic Beverage Taxes
Provision Type	Credits
Latest Fiscal Impact	See Figure 1 Below
Expiration Date	None

Key Findings

- These tax credits likely contribute to the development and survivorship of small breweries, small wineries, and microdistilleries, though the extent of the contribution is not clear.
 - Survey responses and business licensure tenures support this claim.
- Economic impact modeling suggests the credits result in under \$1 million dollars in labor income and suggests positive job growth.
- The estimated amount of tax revenue forgone by the state is more than the estimated economic impact attributed to the tax credits.
- Almost all of the survey respondents said the tax credits had a very positive or positive impact on their business's growth.
- MN small alcohol producers seem to out-survive counterparts from most other states surveyed.
 - Unable to determine if this is because of the tax credits, or other elements of the MN market.

- Minnesota law applies a three-tier system of liquor regulation requiring alcohol producers to distribute through wholesalers; wholesalers to sell to retailers; and retailers who sell to end consumers. Exceptions to the three-tier system create advantages to producers that may contribute more to small alcohol producer survivorship than the impact of these credits.

Potential Modifications

- Issue tax credits that are based on other characteristics outside of alcohol production amounts such as jobs created or capital investments by businesses.
- Require quarterly production reports instead of monthly reports.
- Increase education efforts to promote awareness of the credits.

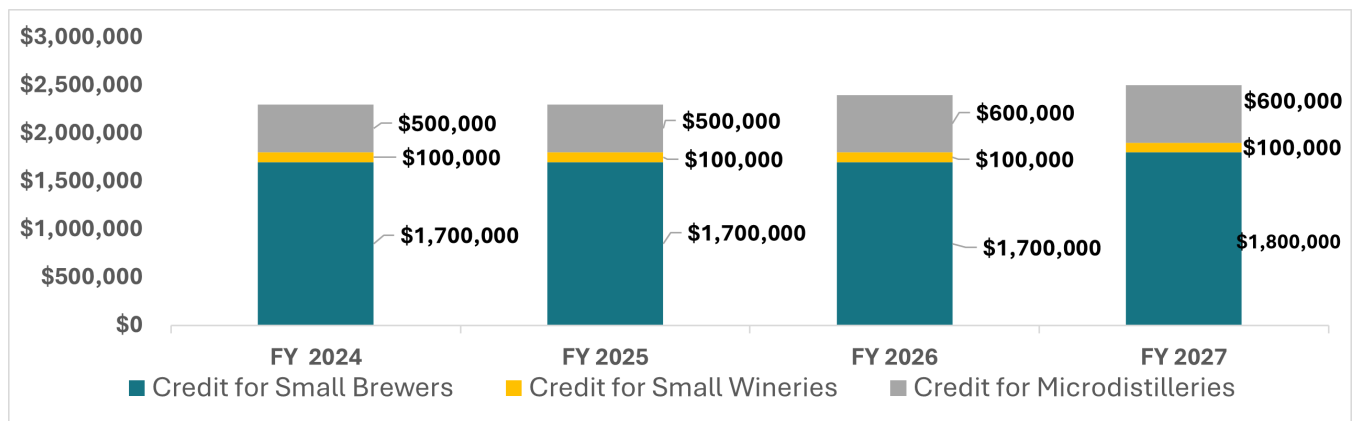
Additional Considerations

Consider researching options to limit these tax credits to Minnesota-based producers.

Estimates of Forgone Revenue

Figure 1 illustrates the estimates of forgone revenue attributed to the three credits for Fiscal Years (FY) 2024 through 2027. These estimates are from the 2024 Tax Expenditure Budget produced by the Department of Revenue. Estimates are steady in the first biennium (FY 2024 - FY 2025) and experience small growth in the second biennium (FY 2026 – FY 2027).

Figure 1. Fiscal Impact of the Credits for Small Brewers, Small Wineries, and Microdistilleries, Fiscal Years 2024 – 2027



Contact Information and Disclaimer

- This tax expenditure evaluation was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission.
- For more information, please visit the [Tax Expenditure Review Commission website](#). For the complete report, visit the [TERC report page](#).
- Contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov with questions.