

MINNESOTA • REVENUE

LIQUOR TAXATION Microdistillery Credit

March 12, 2014

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 1826 (Davnier) / S.F. 1651 (Pappas)

	Fund Impact			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
	(000's)			
General Fund	(Negligible)	(Negligible)	(Negligible)	(Negligible)

Effective July 1, 2013.

EXPLANATION OF THE BILL

This bill would allow a qualified distiller producing distilled spirits a tax credit of \$1.33 per liter on 100,000 liters sold in any fiscal year beginning July 1. The total credit allowed may not exceed in any fiscal year the lesser of the liability for tax or \$133,000. A qualified distiller means a microdistillery that is producing less than 40,000 proof gallons of premium distilled spirits per year.

REVENUE ANALYSIS DETAIL

- Under current Minnesota law, microdistillers are not allowed to sell their product directly to retailers or consumers in Minnesota. They must use a licensed Minnesota wholesaler to distribute their product to Minnesota retailers. The wholesaler is the entity that currently pays the distilled spirits tax of \$1.33 per liter. In most cases, the microdistillery would not have any tax to offset.
- A microdistillery may provide on its premises samples of distilled spirits manufactured on its premises, in an amount not to exceed 15 milliliters per variety per person. No more than 45 milliliters may be sampled by any person on any day.
- Currently licensed Minnesota microdistillers are remitting to the State of Minnesota a use tax of \$1.33 per liter on any samples given away, and this bill would exempt these use tax payments. The revenue loss would be less than \$5,000, or negligible.

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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