



## Providing Tax and Regulatory Relief for Independent Craft Brewers

### Background

The internal revenue code's regulatory framework governing beer production and taxation was largely designed in the 1930s and has not kept pace with the growth, complexity, and operational realities of today's brewing sector, particularly the needs of craft brewers. As a result, small and independent brewers face disproportionate compliance burdens, unclear standards, and the risk of severe penalties arising from minor or inadvertent paperwork errors rather than intentional misconduct. Outdated filing thresholds require frequent tax filings and bonding obligations that strain limited resources, while ambiguous rules related to aggregation, alternating proprietorships, and returns between affiliated breweries create uncertainty and inhibit efficient business operations. In addition, current regulations provide insufficient clarity and protection with respect to exports, fill tolerances, and the circumstances under which tax penalties or significant enforcement actions may be imposed. These proposed legislative changes modernize and clarify the excise tax system, align regulatory requirements with commercial realities, reduce unnecessary compliance costs, and ensure that penalties are reserved for willful violations, while preserving the integrity of the tax system.

### Summary

The proposed legislative changes would:

1. Increase the threshold for quarterly filing of excise tax returns from \$50,000/year taxpayers to \$500,000/year taxpayers. This would reduce filing burdens and eliminate the bond requirement for such quarterly filers. It would also increase the threshold for annual filing of excise tax returns from \$1,000/year taxpayers to \$10,000/year taxpayers. See Section 5061(d)(4).
2. Require a showing of "willfulness" before TTB can deny a small producer excise tax rate. This would protect craft brewers against devastating penalties arising from inadvertent paperwork errors. See Section 5051(c).
3. Require Treasury to provide greater clarity on the "controlled group" and "single taxpayer" rules, making aggregation of production between different entities and/or different facilities for tax purposes more transparent and easier to understand. See Section 5051(a)(5)(D).
4. Create a statutory authorization for the longstanding practices of "alternating proprietorships" and "alternating premises" and require a simplified set of rules for establishing such operations. See Section 5563.
5. Mandate that TTB accept ordinary commercial records as proof of export for purposes of avoiding the excise tax on exported beer and for obtaining drawbacks (a refund) on taxpaid beer that is subsequently exported. See Sections 5053(a) & 5055.
6. Require a showing of "willfulness" before TTB can treat beer as "illegally produced" to avoid massive penalties stemming from inadvertent paperwork errors. See Section 5067.
7. Specify that returns to a brewery within the same controlled group as the producing brewery are treated as a return to the producing brewer for purposes of excise tax offsets. See Section 5056(a).
8. Require TTB to consider brewery size when setting tolerances for small variations from fill requirements. See Section 5051(a)(3).

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### CONTACT:

**Michael Mohr-Ramirez**

Federal Government Affairs Manager, Brewers Association  
e: [mohr-ramirez@brewersassociation.org](mailto:mohr-ramirez@brewersassociation.org) | c: 908.400.7032