

# New Mexico Craft Brewing Update and Legislative Agenda

Revenue Stabilization and Tax Policy  
Committee Meeting

14 October 2015

# Status Update

- Craft brewing - a high-visibility industry in NM that ...
  - Fuels economic and tourism growth
  - Benefits rural and urban communities
  - Works with local, state, and federal government partners
- And still has more room for growth

# Economic and Tourism Growth

- Significant growth of new businesses and locations

1 January	Breweries	Locations
2013	23	33
2016	55	70
2018	72	86

- Capacity has grown 157%
  - 1.4 million gallons 2013
  - 3.6+ million gallons in 2015
- Brewery expansions in 2015 exceeded \$14 M in capital investment

# Rural and Urban Growth



NM Brewers Guild Member Breweries with Locations

# Rural & Urban Growth

- Little Toad Creek Brewery – Silver City
- Sierra Blanca Brewery – Moriarty
- Taos Mesa Brewery – Taos
- Santa Fe Brewing – Santa Fe
- Bosque Brewing – Albuquerque and Las Cruces
- La Cumbre Brewing – Albuquerque
- Marble Brewing - Albuquerque

# Partnering with Government

- Economic Development
  - Investments in brewery expansions (5 breweries)
  - Job development and placement
- Tourism
  - Creating new rural festivals (Artesia, Carlsbad, Hobbs & Taos)
  - Awarded \$30,000 in marketing and events funding
- Agriculture
  - Barley cultivation and malting
  - Hops cultivating and processing
- Higher Ed
  - CNM and NMSU both building educational facilities
  - Entry and advanced education in brewery science and operations

# More Room to Grow

- Craft beer market share
  - 15% in the US
  - NM lags in market share growth and per capita consumption
- Fastest growth sectors in the US craft beer market
  - Hispanics
  - Women
- Bottom Line: continued growth opportunity for NM craft brewers!
- Challenges for NM craft brewing industry
  - Economies of scale in production vs. tax structure
  - Serving rural communities

# Legislative Agenda

- Single piece of legislation for 2016 session
- Focus on definition of “microbrewer” in Liquor Control Act
- Goal is to remove “sunset provision” enacted in SB 81 in the 2013 Regular Session
  - Prior to 2014 = production less than 5,000 bbls per year
  - From 2014 to 2023 = production of less than 15,000 bbls per year
  - After 2023 = the sunset rolls production back to less than 5,000 bbls per year



# Legislative Agenda

- Background and History
  - Breweries sell either 100% in NM (brewpubs) or both in and out of NM (packaging breweries)
  - Definition of microbrewery triggers excise tax rates for beer sales within NM
  - Beer produced in NM and shipped out of NM is not subject to NM Excise Tax but is subject to excise taxes in the state where it lands
  - Example – Brewery X brews 20,000 barrels in 2015
    - 12,000 bbls sold in NM is subject to NM Excise Tax
    - 8,000 bbls shipped to other states is exempt from NM Excise Tax

# Legislative Agenda

## – Prior to 2014

- First 5,000 bbls sold in NM taxed at \$0.08/gal.
- Above 5,000 bbls sold in NM taxed at \$0.41/gal.
- Breweries stopped or minimized production and sales in NM knowing that tax rates were 5X punitive over 5,000 bbls.

## – SB 81 redefined limits for 2014 to 2023

- First 10,000 bbls sold in NM taxed at \$0.08/gal.
- 10,001 – 14,999 bbl sold in NM taxed at \$0.28/gal.
- Above 15,000 bbls sold in NM taxed at \$0.41/gal.
- Sunset in 2023 added because accurate data was not available and impact was unknown.
- Data collected from 2012 – 2015 provides accurate analysis.

# Legislative Agenda

## Starting in 2014 – to today

- Marble, Santa Fe, La Cumbre, and Sierra Blanca expanded or are in the process of expansion to meet demand in NM and out of state
  - Added 80+ jobs
  - Committed \$11.1 million in capital expansion
- Excise tax revenue for all breweries continues to grow
  - \$41,775 in 2007
  - \$84,174 in 2013 – under former tax structure
  - \$155,846 in 2014 – under new tax structure
  - \$185,000 projected for 2015

# Summary

- Craft brewing in NM is a dynamic, growing small business economic and tourism driver in rural and urban areas
- SB 81 that raised the definition of a microbrewery from 5,000 to 15,000 bbls/year has had a positive economic impact in jobs, expansion, and total tax revenues
- Sunset of 2023 in SB 81 is creating uncertainty and the NM Brewers Guild recommends eliminating the sunset