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CRAFT BEER BOOM PUTS PRESSURE ON STATE REGULATIONS

Some states consider changing their current laws to capture the craft beer industry's tax revenue potential.



July 13, 2015

NEW YORK – [Bloomberg](#) reports that the U.S. craft beer business — the fastest-growing segment of a \$102 billion market — has some states looking closely at “an opportunity to capitalize on the nation’s growing thirst for India pale ale and imperial oatmeal stout.”

In Illinois, for example, legislation sent to the governor would allow breweries to bypass distributors and retailers and sell product directly to consumers. In Florida, Governor Rick Scott signed a law in May that allows customers fill 64-ounce growlers from taps at retail locations, such as convenience stores. And in New York, a tax credit is giving cash back to small state brewers to boost growth.

“It’s a huge revenue driver, and it can’t be overlooked,” state Rep. Sara Feigenholtz of Illinois told the news source, adding, “We just need to create a more fertile environment.”

Meanwhile, state legislative efforts to help out the growing craft beer business are creating angst among the nation’s three-tiered beer distribution system (brewer,

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distributor, retailer) that was put in place after Prohibition ended. According to Bart Watson, chief economist for the Brewers Association, the system can both protect and hinder craft beer growth. The smallest brewers want to sell directly to bars and retail outlets to build a large enough market share to attract a distributor, he explained to the news source. Then, once they have a distributor, the craft brewer needs the protections that the three-tier system provides against the larger brewers, he said.

“States are recognizing the need to update and modernize their laws,” Watson told Bloomberg. “These aren’t the old days where we had tied houses.”

North Carolina began loosening its regulations in 2005, beginning with a law that raised the cap on alcohol content by volume from 6% to 15%. The change made it possible for craft brewers to produce India pale ale, one of the fastest-growing beer styles in the United States, notes the news source. Ten years later, more breweries have been allowed to pour on site, although they still can’t self-distribute even though they produce more than 25,000 barrels annually.

Tim Kent, executive director of the North Carolina Beer & Wine Wholesalers Association, told Bloomberg that the changes have made North Carolina the “undisputed leader in craft beer from Virginia to Texas.”

North Carolina has also seen a culture clash between alcohol producers and religious groups. However, it has been abating in some areas, said Chuck McGrady, a Republican state representative. The news source writes that McGrady has been advocating for changes that would make it easier for craft brewers to sell directly to consumers.

“I pinch myself periodically,” McGrady said. “They’re selling beer and wine and hard cider in a way I never expected to see them sold, and they’re viewed as family-friendly, good for the economy and just another group of small business people.”

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