

Tax Parity with Distributors

Brewers are required to pay the ABC excise tax on beer, normally paid by distributors, for those sales sold directly to consumers at their licensed premises.¹ The legislative intent of this requirement is for the state to continue collecting the same revenue on beer sales. However, the result has been that brewers are paying up to approximately 50% more in these taxes for tap room sales. This is because the tax is \$0.05 for every 12 fl. oz. or fractional part thereof.

Why do distributors pay \$8.30 per keg to the ABC?

For normal sales to retailers, distributors pay on the entire keg, in 12 fl. oz. increments.



$$\frac{1984 \text{ fl.oz.}}{12 \text{ fl.oz.}} = 165 \frac{1}{3} \text{ or } 166 \text{ taxable units per keg}$$

$$166 \text{ taxable units} \times \$0.05 = \mathbf{\$8.30 \text{ per keg}}$$

Why do brewers pay \$12.40 per keg to the ABC?

For tap room sales, brewers pay on each pint, in 12 fl. oz. increments.



= 124 x



$$\frac{16 \text{ fl. oz.}}{12 \text{ fl. oz.}} = 1 \frac{1}{3} \text{ or } 2 \text{ taxable units per pint}$$

$$2 \text{ taxable units} \times \$0.05 = \$0.10 \text{ per pint}$$

$$124 \text{ pints in a keg} \times \$0.10 \text{ per pint} = \mathbf{\$12.40 \text{ per keg}}$$

How do we fix this?

Here is some suggested language.

Ala. Code 28-3A-6(i)(1): In addition to the licenses provided for by Chapter 3A of this title, and any county or municipal license, there is levied on the manufacturer of the alcoholic beverages dispensed on the premises the privilege or excise tax imposed on beer by Sections 28-3-184 and 28-3-190; and imposed on table wine by Section 28-7-18; and imposed on liquor by Sections 28-3-200 to 28-3-205, inclusive. Provided, however, that such privilege or excise taxes shall be assessed on packages and products as it is transferred internally for tastings, samplings, or sales to consumers. [...]

Ala. Code 28-4A-4(a): In addition to the licenses provided for by this chapter and any county or municipal license, there is levied on the brewpub for on-premises sales of beer brewed by the brewpub licensee the privilege or excise taxes imposed by Sections 28-3-184 and 28-3-190. Provided, however, that such privilege or excise taxes shall be assessed on packages and products as it is transferred internally for tastings, samplings, or sales to consumers. [...]

¹ See Ala. Code 28-3A-6(i)(1), 28-4A-4(a), and 28-3-184(a) and (b).