

Nebraska's craft brewers object to bills that would increase tax on beer to highest in U.S.

Written by
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LINCOLN — Nebraska's craft brewers are in a froth over two bills that would increase the state's excise taxes on beer to the highest in the nation.

Lawmakers sponsoring the proposals say that the hike would translate into only about 10 cents per mug of beer and that increasing taxes on beer, wine and liquor is part of the solution to lowering property taxes.

But a craft brewers group, representing 49 small breweries across the state, say the tax increase could cause layoffs and could end some operations if they are forced to absorb what amounts to a 345 percent increase in the tax. They have been inundating state senators with complaints, which might be the first of many they hear about ideas to raise some other taxes to lower property taxes.

"We're really scared that if this passes, it will stop the growth of this industry," said Gabby Ayala, the executive director of the Nebraska Craft Brewers Guild. "Other states that have high taxes don't have as many breweries — it stops people from wanting to invest and expand."

Right now, the brewers complain that Nebraska's excise tax on beer is the highest among its neighboring states at 31 cents per gallon. If it was increased to \$1.38 per gallon, as proposed in two bills, the Cornhusker State would supplant Tennessee as the having the highest beer tax in the nation.

But State Sens. Tom Briese of Albion and Curt Friesen of Henderson, who have included identical tax hikes on beer, wine and liquor in their proposals, say that the excise tax could be easily passed along to consumers and that they doubt that a 10-cent hike for a brew would stop anyone from purchasing one.

The two farmers say the estimated \$121 million a year in increased revenue from the excise taxes on alcohol would help offset revenue now raised by local property taxes, which are crushing owners of agricultural property.

"We do have a property tax crisis in Nebraska," Briese said. "The responsible approach to provide immediate and substantial relief is to access other taxes."

"I'm more troubled that we have some of the highest property taxes in the country," the senator said, adding that the burden of property taxes is forcing some farmers out of business and is making it harder for young couples to buy homes.

The growth of small breweries has been an economic success story in the state. Unique beers are being produced in big cities like Omaha and Lincoln, as well as some of the state's smallest towns, like Ohiowa and Taylor. New satellite locations of the breweries, called taprooms, seem to be opening every month.

"These breweries are the only real bright spot in a lot of little towns," said Caleb Pollard of Scratchtown Brewing Co., which churns out 1,200 gallons of beer a month in Ord, a central Nebraska farm town of 2,100.

He said that the excise taxes he pays would rise from \$4,800 a year to over \$21,000 and that passing along that kind of increase to consumers is more complicated, and damaging, than the senators think.

Scratchtown, he said, competes with much, much larger breweries in other states that could more easily absorb such a tax increase.

“It will severely hurt our ability to be competitive,” Pollard said. The tax increase, he said, would force Scratchtown to reconsider a planned expansion and to look at reducing staff. The brewery now employs five full-time and two part-time workers.

Both Pollard and Ayala disputed that the increase would be only 10 cents a drink, saying it could be much higher.

Friesen said he’s open for negotiation about the size of the increase in alcohol taxes, but he said the tax on beer, wine and liquor has to be part of the conversation by lawmakers if they are going to provide property tax relief.

“Some (ideas) are going to fly and some aren’t,” the senator said.

One supporter of the idea is Project Extra Mile, an Omaha-based group that opposes underage and binge drinking. Chris Wagner of Project Extra Mile said that a 10-cent increase pales in comparison to the economic ills caused by alcohol, as measured in less worker productivity and additional costs of law enforcement and health care. Those costs were estimated to be \$2.05 per drink, according to a 2010 study by the Centers for Disease Control and Prevention.

Wagner said another benefit of the bills would be to reduce alcohol consumption, especially among abusers, due to the higher cost.

President Donald Trump, in his 2017 tax cuts, included a federal tax break for small brewers. But Pollard said that break won’t come close to matching the big hit he’d get from the tax hikes proposed in the Nebraska Legislature.

At least three key senators on tax issues — Lou Ann Linehan of Omaha, Mike Groene of North Platte and Brett Lindstrom of Omaha — said they cannot support such a tax increase. But state lawmakers are just beginning the process of looking at all the property tax relief proposals, and “sin taxes,” like those on liquor, cigarettes and gambling, are sometimes a politically easy place to find new revenue.

On Thursday morning, Pollard was in the Rotunda of the State Capitol, trying to persuade other senators to oppose the increased taxes on beer proposed in Legislative Bill 314, Briese’s bill, and LB 497, Friesen’s measure.

“I’m a farm kid. I believe that property tax relief is long overdue, and we need some real solutions,” Pollard said. “But you don’t tax another industry to do this.”