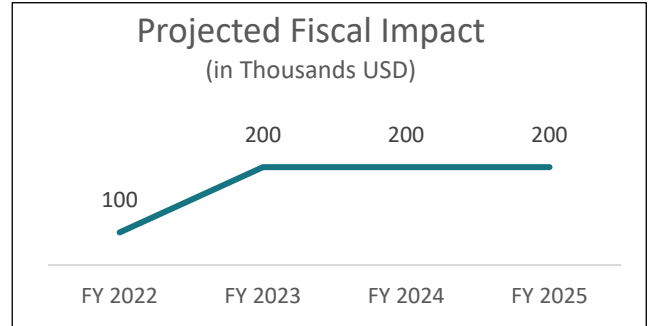


Small Winery Credit

Tax Expenditure Initial Review - TEB 7.09

Tax Expenditure Facts

Year Enacted	2017
Statute	Minn. Stat. § 297G.03, subd. 6
Tax Type	Alcoholic Beverage Taxes
Provision Type	Credit
Latest Fiscal Impact Estimate	\$200,000 – Fiscal Year 2024
Latest Claims Estimate	Latest figure of claims filed is not available
Expiration Date	None



Tax Expenditure Description

A credit is allowed to a winery that manufactures less than 75,000 gallons of wine and cider in the calendar year immediately preceding the fiscal year for which the credit is claimed. The credit for the fiscal year is the lesser of the tax liability or \$136,275. In 2020, 71 wineries claimed this credit.

Additional Background Information

Under Minnesota Statutes 2023, section 297G.03, subdivision 1, an excise tax is imposed on distilled spirits and wine manufactured, imported, sold, or possessed in Minnesota. Beneficiaries of the tax credit include small wineries, defined as producers who manufactured less than 75,000 gallons of cider and wine in the preceding calendar year.

The Commissioner of Revenue is required to submit an annual report to the chairs and ranking minority members of the House and Senate tax committees that includes the number of credit claimants and amount of revenue foregone during the previous fiscal year.ⁱ

The Small Winery Credit reduces the amount of alcoholic beverage tax revenue that would otherwise be generated. Alcoholic beverage tax receipts are deposited in the state General Fund. This credit is administered by the Department of Revenue.

Proposed Tax Expenditure Objective for Consideration

The objective of the small winery tax credit is to promote development and survivorship of small wineries.

Sources

An explicit tax expenditure objective was not identified in the legislative record.

The policy was introduced in S.F. 866 during the 2017 Regular Legislative Session. Discussion of S.F. 866 in the Senate Taxes Committee on March 8, 2017, describes the bill's policy as extending to small wineries the same tax benefits allowed to small brewers and small distilleries.ⁱⁱ

Potential Metrics and Performance Measures

The following are evaluation considerations with respect to administrative and enforcement actions.

Performance measurement: Statistical analysis of claims to assess counts, regional distribution, and trends in claims over time.

Performance attribution: Calculate the effective tax rate and differential as a result of the tax credit. Financial analysis of participating distillers to assess free cash flow trends.

Performance appraisal: Conduct an operating ratio analysis to understand the impact of the tax credit on a producer's budgetary solvency. Assess whether budgetary solvency has improved over time as a result of the tax credit.

Contact Information and Disclaimer

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2023, section 3.8855, subdivision 4.

Notice: Proposed tax expenditure objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

For more information, please visit the [Tax Expenditure Review Commission website](#).

ⁱ "Report regarding the small winery tax credit," Minnesota Legislative Reference Library Website, accessed December 5, 2023, https://www.lrl.mn.gov/mndocs/mandates_detail?orderid=11643.

ⁱⁱ Minn. Sen., Hearing on S.F. 866 before the Sen. Comm. on Taxes, 90th Minn. Leg. Sess. (March. 8, 2017), available at: <https://www.lrl.mn.gov/media/file?mtgid=900329>.