
Craft beverage R&D tax Credit opportunities

Increase cash flow

Reduce tax liability

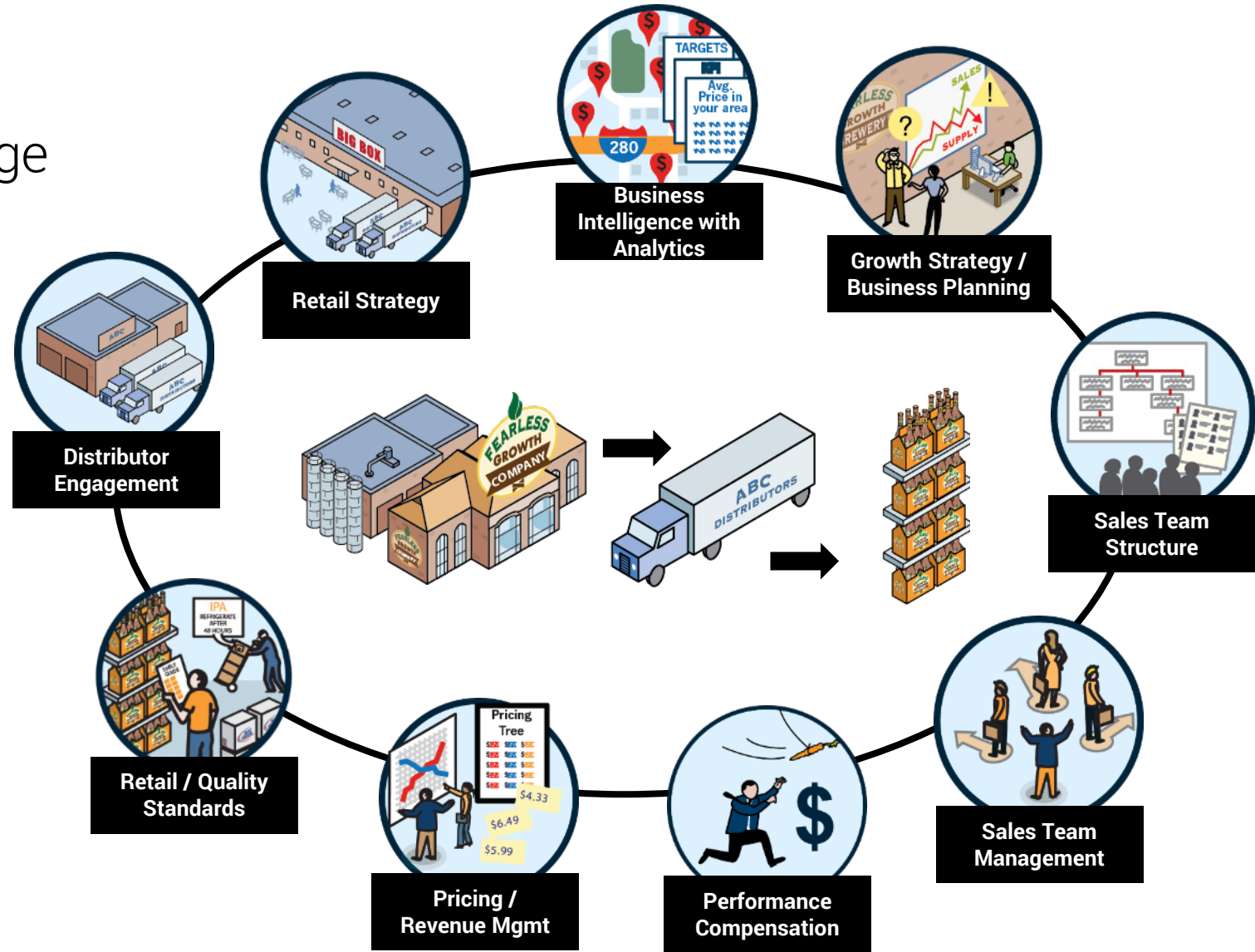
Optimize new technology investments



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Craft Beverage



Research & development tax credit opportunities

R&D tax credits can achieve a tax credit for around 5-7% of all R&D expenses

What are R&D expenses:

- Wages
- Supplies
- Payments to outside parties for qualified R&D expenses in the US

What other types of credits can breweries qualify for?

- State level credits
- Historic rehabilitation credits (can be sold to third parties for capital)
- New market tax credits
- Local incentives (investment credits and TIF loans/credits)

What projects qualify or don't qualify for R&D?



R&D TAX CREDITS

Four-part test

In order to qualify for the R&D credit, activities must meet each of the following requirements

1 Technological in nature

- The activity must be based on the principles of the following hard sciences
 - Engineering
 - Computer science
 - Physical science
 - Biological science

3 Must involve the elimination of uncertainty

- The activity must explore what was not known at the start of the project
 - Capability uncertainty, - Can we develop it?
 - Methodology uncertainty – How will we develop it?
 - Design uncertainty – What is the appropriate design?

2

Must be for a permitted purpose

- The activity must involve the creation of a new or improved level of:
 - Function
 - Performance
 - Reliability

4

Must involve a process of experimentation

- Substantially all of the activities must include elements of experimentation:
 - Evaluating one or more alternatives
 - Performing testing or modeling
 - Examining and analyzing hypotheses
 - Refining or abandoning hypotheses

Examples of qualifying and non-qualifying expenses

Qualifying

R&D expenses associated with the following

- Developing new recipes and styles
- Brewing Experimental or pilot batches (prior to sale of the beer)
- Prototype or pilot model test batches
- Lab testing, or further functional testing
- Developing new or improved ingredient mixing methods
- Developing new or improved yeast strains or fermentation processes
- Developing new or improved manufacturing processes
- Automating existing manufacturing processes
- Developing new methods or the QC for preventing infection/spoilage
- Developing new or improved packing processes (bottles to cans for example)
- Developing new or innovative methods to minimize or treat wastewater

Non-qualifying

Expenses/projects associated with the following

- Admin functions
- Sales, marketing and business development activities
- Routing data collections
- Day-to-day production activities
- Training (even if related to new equipment or technology)
- Research conducted outside the U.S.



Thank you!

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