

## CRAFT BREWING

### Typical activities of craft brewing companies that qualify for the R&D tax credit include:

- Development of new or improved processes, or experimentation with the effect of process changes such as fermentation time and temperature
- Development of new or improved equipment or automation, either in the fermentation process or in the bottling/canning process, or in the water filtration process
- Development of new internal-use software tailored to the brewing industry
- Research to reduce waste, reduce water consumption, or reduce energy consumption (green initiatives)
- Developing methods for the utilization of spent grain including conversion to energy.
- Hop breeding
- Experimentation with prototype packaging alternatives, e.g., various keg sizes, cans vs. bottles, 22oz bottles, growlers, and similar issues
- Experimentation with new formulations, additives, and ingredients to create new or improved products
- Experimentation to achieve specific product parameters including: flavor or taste profiles, alcohol content, color or appearance, and level of carbonation
- Creating prototype sample test batches
- Development of pilot brewing systems and labs for developing new products

### How the R&D Tax Credit Works for You

Research and Development Tax Credits are available to a wide variety of industries at both the Federal, and in most cases, the state level. The incentives are designed to encourage U.S. companies to maintain their competitive advantages through continued innovation and improvements. The credit applies to a number of areas within your business including some salaries, materials, and contract services for qualified activities.

### R&D Minimum Requirements for Eligibility:

1. The project must be intended to be useful in the development of a new or improved business component, such as a product, process technique, formula, invention, or software.
2. The project must be undertaken for the purpose of discovering information that is technical in nature. Thus, the activity must rely on the principles of physical sciences, such as engineering, biology, or computer science.
3. The project must be intended to eliminate uncertainty related to the development or improvement of a business component. Uncertainty can include capability, development method, or optimal design of the business component.
4. The project must evaluate one of more alternative solutions through the development, refinement, and testing of different options.

