INFORMATIONAL NOTICE MISCELLANEOUS TAX 2018-01
Issued February 23, 2018

MALT BEVERAGE TAX CREDIT PROGRAM

Section I. What are Qualifying Capital Expenditures?

Under Article XX of the Tax Reform Code of 1971, qualifying capital expenditures are defined as:

Amounts paid by a taxpayer during the effective period of this section for the purchase of items of plant, machinery or equipment for use by the taxpayer within this Commonwealth in the manufacture and sale of malt or brewed beverages: Provided however, that the total amount of qualifying capital expenditures made by a taxpayer within a single calendar year shall not exceed two hundred thousand dollars ($200,000).

Under the Malt Beverage Tax Credit program, the Department considers plant, machinery and equipment to be tangible assets that cannot be easily converted into cash and have a life expectancy greater than one year and are identified as fixed assets on the balance sheet.

Qualified Capital Expenditures for a manufacturer of malt or brewed beverages would include brewery equipment and tangible property such as pipes, wiring, tanks, etc. capitalized by the taxpayer and used in the manufacturing and sale of malt or brewed beverages.

Section II. What is the maximum amount of qualifying capital expenditures an applicant may submit to the Department of Revenue for qualification for the tax credit?

There is no limit to the amount of expenditures an applicant may submit to the Department for review. While an applicant may submit expenditures in excess of $200,000, the Department can only approve a maximum credit of $200,000 per applicant, subject to reduction if applications requesting more than $5,000,000 in total credits are received.

Section III. What is the time period for year 1 for which applicants may claim a credit?

The time period for program “year 1” is July 1, 2017 to December 31, 2017.

Applicants with qualifying capital expenditures made between July 1, 2017 and December 31, 2017 and placed into service in the same time period may submit an application to the Department on April 1, 2018.

Purchases made prior to July 1, 2017 are disallowed for consideration of the tax credit.
Section IV. What is the time period for year 2, and subsequent years, for which applicants may claim a credit?

The time period for program “year 2” and all subsequent years the program is in effect is a calendar year. For example, “year 2” will run from January 1, 2018 to December 31, 2018.

The law allows an applicant to claim a qualifying capital expenditure within one year of the date of the original purchase. Applicants with qualifying capital expenditures must demonstrate that they made purchases of qualifying capital expenditures within one year of the date they submit their application, as long as the expenditures claimed in year 2 were not claimed in year 1.

Example: A brewery is undergoing an expansion and makes two purchases of qualifying capital expenditures on August 15, 2017 that were placed into service throughout the year. One purchase was for $200,000, and a second purchase was for $500,000. The brewery may submit an application for the malt beverage tax credit program for the first qualifying capital expenditure of $200,000 in April 2018 for the first year of the program.

The brewery may submit a second application for the malt beverage tax credit program for the second qualifying capital expenditure of $500,000 within one year of August 15, 2017. The Department will not award any credits in regard to the brewery’s second application until the deadline for all breweries to submit applications for the second year of the program has passed. At this time, the Department will review all applications and award credits for the second year.

Section V. What if the invoice date, payment date, and placed into service date fall into different time periods?

For year 1, if the invoice date occurs prior to July 1, 2017 but the payment occurs after July 1, 2017, the qualifying capital expenditure could be included in an application for credit.

If the invoice date and payment date occur prior to July 1, 2017, the items must be excluded from consideration for the tax credit.

If the invoice date and placed into service date occur prior to July 1, 2017 but the payment date is after July 1, 2017, the qualifying capital expenditure could be included in an application for credit, as in this instance the payment date is the determining factor for credit eligibility.

Section VII. Is delivery, freight, taxes or labor paid on the acquisition or installation of qualifying capital expenditures included in the calculation of the requested credit?

No.