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Common Pitfalls Breweries Can Avoid

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New York State is home to 447+ craft breweries. And you want to be number 448. No sweat right? But how many of these breweries will be around in year two? Contrary to common belief running a brewery isn't as easy as growing a sick brewer's beard. There's a number of variables that could lead to epic fail.

For starters, you'll want to make sure you setup your brewery in a structure that lends itself favorably to all involved and the expected end game strategy. Remember everyone wants a piece of the pie! Discuss the tax entity structure as well as related legal, tax, insurance, and other related matters with professionals who can guide and advise you to start you on the right path and keep you out of trouble.

Once you've got a handle on the setup, you'll want to stay in everyone's good graces which means keeping compliant. Make sure you know what filing requirements are applicable (i.e. TTB, NYS excise tax, income tax, sales tax, payroll tax, NYS Beer Bottle & Can Deposit). Enlist professionals to guide and/or handle filings. The benefit will outweigh the cost as compared to not being in compliance. Having professionals in place who understand your business can also assess areas to save you money such as tax credits, assessing proper insurance coverages, etc.

Speaking of saving money, remember sales tax, can deposits, etc. are not your money! Consider maintaining separate bank accounts to segregate these funds. "The man" won't shy away from shutting you down. In extreme cases for delinquency in paying taxes, government agencies may close you down. Payroll and sales taxes are liabilities where owners are personally liable to pay in the event the business does not. Don't sweep it under the rug – if you're in trouble, come clean and work out an arrangement before things get worse. It's usually best to consult a professional first to explain the situation and then work out a plan to resolve.

Another tip is to keep a little scratch on the side to invest in systems to keep things in order. You'll want a bookkeeping software (i.e. QuickBooks) to maintain your books. If you want to be extra fancy, also look to have a separate inventory system (i.e. EKOS, Orchestrated Beer). Be sure to reconcile significant areas for your books (monthly bank reconciliations, credit cards, etc.) and keep your inventory accurate. This will allow you to make sure you have accurate numbers for analysis related to pricing your beer and knowing true operating profits.

Lastly, make sure to plan ahead as it relates to future needs for capital including future cash needs for operations and growth – if looking to obtain outside financing understand and know any additional costs to acquire and restrictions to maintain that credit facility.

But don't worry, you got this! Take a seat, pour yourself a cold one and get to it! #thinknydrinkny



David Oksenhorn

David A. Oksenhorn is a senior manager in Accounting Services at Marcum LLP in Long Island. He is an active member of Marcum's Food and Beverage Services Group. In his 13 years of experience, David has advised clients in manufacturing, professional services, and other various industries. He primarily works with closely-held businesses, providing financial statement reporting, tax compliance and planning, and business consulting services.