

By: King of Hemphill, Cook

H.B. No. 3656

Substitute the following for H.B. No. 3656:

By: Harless

C.S.H.B. No. 3656

A BILL TO BE ENTITLED

AN ACT

relating to operating agreements between holders of a distiller's and rectifier's permit and certain alcoholic beverage permit holders.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 14, Alcoholic Beverage Code, is amended by adding Section 14.10 to read as follows:

Sec. 14.10. OPERATING AGREEMENTS BETWEEN PERMIT HOLDERS.

(a) The holder of a distiller's and rectifier's permit may enter into an agreement with another holder of a distiller's and rectifier's permit that allows the distiller's and rectifier's permit holder to engage in the following activities on the permitted premises of the other distiller's and rectifier's permit holder:

(1) manufacture distilled spirits;

(2) rectify, purify, and refine distilled spirits and wines;

(3) mix wines, distilled spirits, or other liquors;

(4) bottle, label, and package the permit holder's finished products;

(5) sell the finished products in this state to holders of wholesaler's permits and to authorized wholesalers and manufacturers outside the state;

(6) sell, through an affiliate who is the holder of a

1 nonresident seller's permit, the finished products in this state to  
2 holders of wholesaler's permits and to authorized wholesalers and  
3 manufacturers outside the state;

4 (7) purchase distilled spirits, to be used only for  
5 manufacturing or rectification purposes, from holders of  
6 nonresident seller's permits or distiller's and rectifier's  
7 permits; and

8 (8) sell bulk alcohol produced by the permit holder  
9 for purposes described by Section 38.01.

10 (b) The agreement is subject to approval by the commission  
11 and must describe with specificity the nature, duration, and extent  
12 of the activities authorized by the agreement.

13 (c) The holder of a distiller's and rectifier's permit may  
14 enter into an agreement authorized by Section 37.011 with the  
15 holder of a nonresident seller's permit.

16 (d) The holder of a distiller's and rectifier's permit on  
17 whose premises another distiller's and rectifier's permit holder  
18 contracts under this section to manufacture, bottle, package, or  
19 label alcoholic beverages may not:

20 (1) consider or treat the alcoholic beverages  
21 manufactured, bottled, packaged, or labeled under the agreement as  
22 being owned by the permit holder; or

23 (2) sell those alcoholic beverages on the permit  
24 holder's premises.

25 (e) The commission shall adopt rules regulating the shared  
26 use of the permitted premises under this section to ensure  
27 administrative accountability of each permit holder and a strict

1 separation between the businesses and operations of the permit  
2 holders.

3 SECTION 2. Chapter 37, Alcoholic Beverage Code, is amended  
4 by adding Section 37.011 to read as follows:

5 Sec. 37.011. OPERATING AGREEMENT WITH IN-STATE DISTILLERY.

6 (a) The holder of a nonresident seller's permit who owns a  
7 distillery outside of the state or whose affiliate owns a  
8 distillery outside of the state and holds a distiller's and  
9 rectifier's permit may enter into an agreement with the holder of a  
10 distiller's and rectifier's permit that allows the nonresident  
11 seller to engage in the following activities on the distiller's and  
12 rectifier's permitted premises:

13 (1) manufacture distilled spirits;  
14 (2) rectify, purify, and refine distilled spirits and  
15 wines;

16 (3) mix wines, distilled spirits, or other liquors;  
17 (4) bottle, label, and package the nonresident  
18 seller's finished products; and

19 (5) sell the finished products in this state to  
20 holders of distiller's and rectifier's permits and holders of  
21 wholesaler's permits and to authorized wholesalers and  
22 manufacturers outside the state.

23 (b) The agreement is subject to approval by the commission  
24 and must describe with specificity the nature, duration, and extent  
25 of the activities authorized by the agreement.

26 (c) The holder of a distiller's and rectifier's permit on  
27 whose premises the holder of a nonresident seller's permit

1 contracts under this section to manufacture, bottle, package, or  
2 label alcoholic beverages may not:

3 (1) consider or treat the alcoholic beverages  
4 manufactured, bottled, packaged, or labeled under the agreement as  
5 being owned by the distiller's and rectifier's permit holder; or

6 (2) sell those alcoholic beverages on the distiller's  
7 and rectifier's permit holder's premises.

8 (d) The commission shall adopt rules regulating the shared  
9 use of the permitted premises under this section to ensure  
10 administrative accountability of each permit holder and a strict  
11 separation between the businesses and operations of the permit  
12 holders.

13 SECTION 3. This Act takes effect September 1, 2023.