

BILL ANALYSIS

S.B. 517
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Licensing & Administrative Procedures
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Industry observers note that the craft brew segment of the American beer market has shown a substantial increase in production volume and retail sales in recent years. Interested parties contend that in Texas, however, industry growth has not kept pace with that segment's growth in other states because of regulatory obstacles that impede the craft brewers' access to markets and limit their ability to expose consumers to new and innovative products. The parties further contend that these obstacles have been compounded by the pronouncements issued by federal courts concerning attempts made by certain states to establish preferences for in-state producers that unduly burden or hinder out-of-state producers. S.B. 517 seeks to amend current law relating to the distribution of beer by certain manufacturers by establishing a manufacturer's self-distribution license.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Alcoholic Beverage Commission in SECTION 2 of this bill.

ANALYSIS

S.B. 517 amends the Alcoholic Beverage Code to limit the issuance of a manufacturer's self-distribution license only to the holder of a manufacturer's or nonresident manufacturer's license. The bill authorizes a holder of a manufacturer's self-distribution license whose annual production of beer under the manufacturer's or nonresident manufacturer's license, together with the annual production of ale by the holder of a brewer's or nonresident brewer's permit at the same premises, does not exceed 125,000 barrels to sell beer produced under the manufacturer's or nonresident manufacturer's license to those persons to whom the holder of a general distributor's license is authorized to sell beer. The bill specifies that the holder of a manufacturer's self-distribution license, with regard to such a sale, has the same authority and is subject to the same requirements that apply to a sale made by the holder of a general distributor's license.

S.B. 517 sets the limit on the total combined sales of beer by the holder of a manufacturer's self-distribution license, together with the sales of ale by the holder of a brewer's self-distribution permit proposed by an act of the 83rd Legislature, Regular Session, 2013, at the same premises, at 40,000 barrels annually. The bill limits the shipping of the beer sold under these provisions to shipment only from a manufacturing facility in Texas and establishes that the annual state fee for the manufacturer's self-distribution license is \$250.

S.B. 517 requires the holder of a manufacturer's self-distribution license, not later than the 15th day of each month, to file a report with the Texas Alcoholic Beverage Commission (TABC) that contains information relating to the sales made by the license holder to a retailer during the preceding calendar month. The bill requires TABC by rule to determine the information that is required to be reported and the manner in which the report must be submitted. The bill authorizes TABC to require the report to contain the same information required of brewers, manufacturers, wholesalers, and distributors by the comptroller of public accounts in a monthly

report of alcoholic beverage sales to retailers in Texas. The bill repeals a provision relating to the authorized sale of beer by certain small manufacturers.

S.B. 517 amends the Tax Code to make conforming changes.

S.B. 517 makes its provisions contingent on passage by the 83rd Legislature, Regular Session, 2013, of legislation authorizing the holder of a brewpub license to self-distribute beer, malt liquor, or ale produced under the license to retailers; authorizing small brewers to sell ale to retailers; authorizing small brewers and beer manufacturers to sell beer and ale to ultimate consumers; and relating to sales of beer by a manufacturer to a distributor and certain agreements between a manufacturer and distributor.

S.B. 517 repeals Section 62.12, Alcoholic Beverage Code.

EFFECTIVE DATE

Except as otherwise provided, on passage, or, if the bill does not receive the necessary vote, September 1, 2013.