

BILL ANALYSIS

Senate Research Center
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S.B. 905
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The distilled spirits industry in Texas has seen tremendous growth over the last decade. In 2004, Texas issued three distiller's and rectifier's permits. Today, 43 liquor distilleries hold active distiller's and rectifier's permits in Texas. The Texas distilled spirits industry has the potential for even more growth if the state modifies its current regulatory system.

Currently, a Texas distillery cannot sell its product to the ultimate consumer without utilizing the three-tier system. S.B. 905 is modeled after the current exceptions to the three-tier system for Texas wineries and will help expose more consumers to new and innovative distilled spirits products.

S.B. 905 allows a Texas distiller to sell the distiller's product to the ultimate consumer for off-premise consumption up to 3,500 gallons annually, with some restrictions. S.B. 905 also allows a distiller to have on-premise sales of distilled spirits up to 3,000 gallons annually.

As proposed, S.B. 905 amends current law relating to the sale of distilled spirits to ultimate consumers by the holder of a distiller's and rectifier's permit.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 14.01(a), Alcoholic Beverage Code, to authorize the holder of a distiller's and rectifier's permit to engage in certain activities, including to dispense free distilled spirits for consumption on the permitted premises under Section 14.04, and if located in a wet area, sell distilled spirits to ultimate consumers under Section 14.04 or 14.05.

SECTION 2. Amends Section 14.04(a), Alcoholic Beverage Code, to authorize the holder of a distiller's or rectifier's permit to dispense free samples or collect a fee for the sampling.

SECTION 3. Amends Chapter 14, Alcoholic Beverage Code, by adding Section 14.05, as follows:

Sec. 14.05. SALES TO ULTIMATE CONSUMERS. (a) Authorizes the holder of a distiller's and rectifier's permit to sell to ultimate consumers for consumption on the permitted premises distilled spirits manufactured or rectified by the permit holder in an amount not to exceed 3,000 gallons annually.

(b) Authorizes the holder of a distiller's and rectifier's permit to sell distilled spirits manufactured by the permit holder to ultimate consumers for off-premises consumption in unbroken packages containing not more than 750 milliliters of distilled spirits for off-premises consumption in an amount not to exceed 3,500 gallons annually.

(c) Prohibits the holder of a distiller's and rectifier's permit from selling, under Subsection (b), more than two 750 milliliter bottles of distilled spirits or the equivalent to the same consumer within a 30-day period.

(d) Authorizes a sale under Subsection (b) to be made only to an individual who is physically present at the permit holder's premises and requires that such a sale be delivered to the purchaser in person during the purchaser's visit.

(e) Prohibits a person from making a purchase under Subsection (b) as an agent for another person.

(f) Requires the permit holder to check a purchaser's identification and keep records of purchases in a manner that enables the permit holder to comply with this section.

(g) Requires a bottle of distilled spirits sold on the permit holder's premises under Subsection (b) to bear a notice affixed to the bottle that does not obscure the label approved by the Alcohol and Tobacco Tax and Trade Bureau, states that the bottle is commemorative, states the month and year the bottle is sold, and is signed by an agent of the permit holder.

SECTION 4. Amends Chapter 105, Alcoholic Beverage Code, by adding Section 105.081, as follows:

Sec. 105.081. HOURS OF SALE AND CONSUMPTION: DISTILLERY. (a) Authorizes the holder of a distiller's and rectifier's permit to sell and offer for sale distilled spirits for on-premises consumption and authorizes a person to consume distilled spirits on the permitted premises during the same hours mixed beverages may be sold and offered for sale by a mixed beverage permit holder under Section 105.03(b) (relating to authorizing a mixed beverage permittee to sell and offer for sale mixed beverages between certain times).

(b) Authorizes the holder of a distiller's and rectifier's permit to sell, offer for sale, and deliver distilled spirits to ultimate consumers for off-premises consumption during the same hours as the holder of a package store permit may sell, offer for sale, or deliver distilled spirits to ultimate consumers for off-premises consumption.

SECTION 5. Amends Section 183.001(b)(1), Tax Code, to redefine "permittee."

SECTION 6. Repealer: Section 14.01(c) (relating to authorizing the holder of a distiller's and rectifier's permit to dispense distilled spirits for consumption on the permitted premises under Section 14.04), Alcoholic Beverage Code.

Repealer: Section 14.04(g) (relating to providing that the holder of a permit), Alcoholic Beverage Code.

SECTION 7. Effective date: September 1, 2013.