

BILL ANALYSIS

Senate Research Center
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H.B. 3385
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State Affairs
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas wineries purchasing local grapes currently face redundant permits and reporting requirements that create unnecessary administrative barriers to growth. While other top wine-producing states have successfully implemented farm winery permits to streamline operations and support local agriculture, Texas wineries struggle to compete with expanding out-of-state tasting rooms.

Currently, wineries must obtain a winery permit, also known as the "G permit." This allows holders to manufacture, buy, and sell wine from wholesalers and other wineries, self-distribute to retailers, and sell directly to consumers. However, the permit does not require holders to grow their own grapes. As a result, many wineries in Texas hold permits but do not produce wine from Texas-grown grapes.

H.B. 3385 would create a Texas farm winery permit for wineries that produce wine from Texas-grown grapes. It would allow the holder of the farm winery permit to operate up to five tasting rooms per permit and raise production limits to 250,000 gallons annually.

Additionally, it would create the farm winery marketing assistance fund to promote Texas grown fruit and wineries to drive industry growth. The fund would be a dedicated account in the General Revenue Fund.

H.B. 3385 amends current law relating to the promotion and sale of wine produced in this state, creates a farm winery permit, and authorizes a fee.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to Texas Alcoholic Beverage Commission in SECTION 1 (Sections 17.004 and 17.006, Alcoholic Beverage Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subtitle A, Title 3, Alcoholic Beverage Code, by adding Chapter 17, as follows:

CHAPTER 17. FARM WINERY PERMIT

Sec. 17.001. DEFINITION. Defines "Texas wine."

Sec. 17.002. QUALIFICATION FOR PERMIT. Provides that a farm winery permit is authorized to be issued only to the holder of a winery permit who produces Texas wine.

Sec. 17.003. AUTHORIZED ACTIVITIES. Authorizes the holder of a farm winery permit, in addition to the activities authorized for a winery permit holder under Chapter 16 (Winery Permit), to:

- (1) operate up to five locations off of the winery premises where the permit holder is authorized to sell Texas wine to ultimate consumers for consumption on the location's premises; and

(2) sell on the winery premises or at a location described by Subdivision (1) Texas wine to ultimate consumers in unbroken packages for consumption off the winery's or location's premises in an amount not to exceed 250,000 gallons annually.

Sec. 17.004. SALES AT OFF-SITE LOCATION. (a) Requires the Texas Alcoholic Beverage Commission (TABC) to adopt rules to implement Section 17.003, including rules that:

(1) require the farm winery permit holder to notify TABC of each location operated by the permit holder under Section 17.003(1);

(2) establish a procedure to verify the wet or dry status of each location described by Subdivision (1); and

(3) require the farm winery permit holder to provide any other information the commission determines necessary.

(b) Provides that the provisions of this code applicable to the sale of Texas wine on the permitted premises of the holder of a farm winery permit apply to the sale of Texas wine at a location authorized by Section 17.003(1).

Sec. 17.005. PERMIT FEE. (a) Prohibits the fee for a farm winery permit from exceeding \$500 annually.

(b) Requires that the revenue attributable to the fees collected under Subsection (a) be deposited as follows: 50 percent to the credit of the farm winery marketing assistance fund and the remainder to the credit of the general revenue fund.

Sec. 17.006. RULES. Requires TABC to adopt rules to administer this chapter.

SECTION 2. Amends Chapter 110, Alcoholic Beverage Code, by adding Subchapter C, as follows:

SUBCHAPTER C. FARM WINERY MARKETING ASSISTANCE FUND

Sec. 110.101. FARM WINERY MARKETING ASSISTANCE FUND. (a) Provides that the farm winery marketing assistance fund (fund) is a dedicated account in the general revenue fund.

(b) Provides that the fund consists of certain monies.

(c) Authorizes the Department of Agriculture to use money in the fund only to promote and market farm wineries permitted under Chapter 17.

(d) Authorizes TABC to use money in the fund necessary to implement and administer Chapter 17, including money necessary for the initial implementation of the chapter.

SECTION 3. (a) Require TABC, as soon as practicable after the effective date of this Act, to adopt rules necessary to implement the changes in law made by this Act.

(b) Provides that Chapter 17, Alcoholic Beverage Code, as added by this Act, takes effect on the effective date of the rules adopted by TABC under Section 17.006, Alcoholic Beverage Code, as added by this Act.

(c) Requires that rules adopted under Section 17.006, Alcoholic Beverage Code, as added by this Act, provide a reasonable amount of time after the effective date of the rules for a

holder of a farm winery permit issued before the effective date of the rules to begin manufacturing wine and otherwise come into compliance with the rules.

SECTION 4. Effective date: upon passage or September 1, 2025.