

BILL ANALYSIS

Senate Research Center
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S.B. 2225
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Spirit-based, ready-to-drink cocktails (RTDs) are products made with distilled spirits that are single serve and portable.

Under current Texas law, convenience stores and grocery stores are permitted to sell beer and wine products containing up to 17 percent alcohol-by-volume (ABV). However, these same retailers are prohibited from selling spirit-based RTDs—even though most of these beverages fall within the same or lower ABV range as many wine and malt-based products already on store shelves.

This inconsistency in Texas law creates confusion for consumers, places unnecessary limitations on free-market competition, and puts Texas businesses at a disadvantage compared to those in other states where spirit-based RTDs are treated equitably.

S.B. 2225 would modernize Texas' outdated alcohol code by allowing grocery stores and convenience stores to sell spirit-based RTDs alongside beer and wine. This update reflects changing consumer preferences, supports local retailers, and provides Texas consumers with more choices—all while maintaining responsible access and oversight.

As proposed, S.B. 2225 amends current law relating to the creation of a spirit cooler certificate and authorizes a fee.

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 1.04, Alcohol Beverage Code, by amending Subdivisions (3) and (5) and adding Subdivision (32) to redefine "distilled spirits" and "liquor" and to define "spirit cooler."

SECTION 2. Amends Subtitle A, Title 3, Alcoholic Beverage Code, by adding Chapter 39, as follows:

CHAPTER 39. SPIRIT COOLER CERTIFICATE

Sec. 39.01. ELIGIBLE PERMIT AND LICENSE HOLDER. Authorizes a spirit cooler certificate to be issued to the holder of a wine only package store permit, wine and malt beverage retailer's permit, wine and malt beverage retailer's off-premise permit, or retail dealer's off-premise license whose premises are located in an area where the sale of alcoholic beverages is legal as provided by a ballot issue approved by the voters under certain provisions of Section 501.035(b)(relating to requiring that the ballot, in an area where any type or classification of alcoholic beverages is prohibited, be prepared to permit voting for or against certain issues), Election Code.

Sec. 39.02. AUTHORIZED ACTIVITIES. Authorizes the holder of a spirit cooler certificate to purchase spirit coolers from the holder of a wholesaler's permit or general class B wholesaler's permit; if the certificate holder is a wine only package store permittee, wine and malt beverage retailer's off-premise permittee, or retail dealer's off-premise licensee, sell spirit coolers at retail for consumption off the premises where sold but not for resale; and if the certificate holder is a wine and malt beverage retailer's permittee, sell spirit coolers at retail for consumption on or off the premises where sold but not for resale.

Sec. 39.03. FEE. Requires that the fee for a spirit cooler certificate be set at a level sufficient to recover the cost of issuing the certificate and administering this chapter.

Sec. 39.04. HOURS OF SALE. Authorizes the holder of a spirit cooler certificate issued under this chapter to remain open and sell spirit coolers as provided under this chapter on any day and during the same hours as those prescribed for the sale of malt beverages under Section 105.05 (Hours of Sale; Malt Beverages).

SECTION 3. Amends Section 102.31(a), Alcoholic Beverage Code, to provide that Section 102.31 (Cash Payment Required) applies to certain sales, including the sale of spirit coolers by a wholesaler's or general class B wholesaler's permittee to a wine only package store permittee, wine and malt beverage retailer's permittee, wine and malt beverage retailer's off-premise permittee, or retail dealer's off-premise licensee and to make nonsubstantive changes.

SECTION 4. Amends Section 102.32, Alcoholic Beverage Code, by adding Subsection (a-1) to provide that Section 102.32 (Sale of Liquor; Credit Restrictions) does not apply to the sale of a spirit cooler by a wholesale dealer to a retailer.

SECTION 5. Amends Chapter 102, Alcoholic Beverage Code, by adding Subchapters E and F, as follows:

SUBCHAPTER E. TERRITORIAL LIMITS ON SALE OF SPIRIT COOLERS

Sec. 102.101. DEFINITIONS. Defines "brand," "brand extension," "manufacturer," "retailer," and "wholesaler."

Sec. 102.102. SETTING TERRITORIAL LIMITS. (a) Requires each manufacturer or nonresident seller's permittee to designate territorial limits in this state within which the brands of spirit coolers the manufacturer or nonresident seller's permittee manufactures are authorized to be sold by a wholesaler.

(b) Requires each wholesaler to enter into a written agreement with each manufacturer or nonresident seller's permittee from which the wholesaler purchases spirit coolers for distribution and sale in this state. Requires that the contract set forth the sales territory within which the wholesaler may distribute and sell each brand of spirit coolers. Prohibits a wholesaler from selling any brand of spirit coolers outside of the sales territory specified in the contract. Provides that the contract does not interfere with the rights of a retailer to purchase spirit coolers as provided by Section 102.104.

(c) Prohibits a manufacturer or nonresident seller's permittee from assigning all or any part of the same sales territory to more than one wholesaler.

(d) Requires that a copy of a contract entered into under Subsection (b) be filed with the administrator.

Sec. 102.103. RIGHTS OF WHOLESALERS. Provides that nothing in Section 102.102 limits or alters a wholesaler's right to sell spirit coolers to any other wholesaler, except that a wholesaler who purchases spirit coolers from another wholesaler is authorized to distribute and sell the spirit coolers only in the sales territory designated by contract for the wholesaler making the purchase.

Sec. 102.104. RIGHTS OF RETAILERS. Provides that nothing in Section 102.102 or 102.103 limits or alters a retailer's right to purchase spirit coolers on the permitted premises of any wholesaler in this state and transport those spirit coolers to the retailer's permitted or licensed premises, except that the retailer is authorized to sell the spirit coolers only within a territory for which the manufacturer or nonresident seller's permittee of the brand has designated that the spirit coolers are authorized to be sold by a wholesaler.

Sec. 102.105. TERRITORIAL ASSIGNMENTS. (a) Provides that a brand extension is not a new or different brand.

(b) Requires a manufacturer or nonresident seller to assign a brand extension to a wholesaler to whom the brand was originally assigned if the wholesaler elects to distribute and sell the brand extension.

SUBCHAPTER F. SPIRIT COOLER INDUSTRY FAIR DEALING LAW

Sec. 102.131. DEFINITIONS. Defines "agreement," "brand," "brand extension," "good cause," "manufacturer," "retailer," "territory," "sales territory," and "wholesaler."

Sec. 102.132. PURPOSE. (a) Sets forth the purpose of this subchapter.

(b) Provides that this subchapter governs all relations between manufacturers or nonresident seller's permittees and their wholesalers, including any renewals or amendments to agreements between them, to the full extent consistent with the constitutions and laws of this state and the United States.

Sec. 102.133. WAIVER PROHIBITED. Prohibits the provisions of this subchapter from being waived, voided, or nullified by agreement.

Sec. 102.134. TERMINATION AND NOTICE OF CANCELLATION. (a) Prohibits a manufacturer, nonresident seller's permittee, or wholesaler, except as provided by Subsection (c) and as otherwise specifically agreed upon by the parties to an agreement, from canceling, failing to renew, or otherwise terminating an agreement unless the manufacturer, nonresident seller's permittee, or wholesaler provides prior notice in accordance with Subsection (b) to the other party to the agreement.

(b) Requires that the notice provided under Subsection (a) be in writing and received by the affected party not later than the 90th day before the date on which the agreement will be canceled, not renewed, or otherwise terminated. Requires that the notice contain certain information.

(c) Authorizes a manufacturer, nonresident seller's permittee, or wholesaler to cancel, fail to renew, or otherwise terminate an agreement without providing prior notice to the other party to the agreement for certain reasons.

Sec. 102.135. CANCELLATION. Prohibits a manufacturer, nonresident seller's permittee, or wholesaler selling spirit coolers from canceling, failing to renew, or otherwise terminating an agreement under this subchapter unless the manufacturer, nonresident seller's permittee, or wholesaler has good cause for the cancellation, failure to renew, or termination and, if required to provide prior notice under Section 102.134, the manufacturer or nonresident seller's permittee has provided the notice and the other party has not eliminated the reasons specified in the notice as the reasons for cancellation, nonrenewal, or termination on or before the 90th day after the receipt of the notice.

Sec. 102.136. PROHIBITED CONDUCT. (a) Prohibits a manufacturer or nonresident seller's permittee engaging in certain conduct.

(b) Requires that nothing in this section interfere with the rights of a manufacturer, nonresident seller's permittee, or wholesaler to enter into contractual agreements that could be construed as governing ordinary business transactions, including agreements concerning allowances, rebates, refunds, services, capacity, advertising funds, promotional funds, or sports marketing funds.

Sec. 102.137. TRANSFER OF BUSINESS ASSETS OR STOCK. (a) Prohibits a manufacturer or nonresident seller's permittee from unreasonably withholding or delaying its approval of any assignment, sale, or transfer of a wholesaler's stock or all or any portion of a wholesaler's assets, a wholesaler's voting stock, the voting stock of any parent corporation, or the beneficial ownership or control of any other entity owning or controlling the wholesaler, including the wholesaler's rights and obligations under the terms of an agreement whenever the person to be substituted meets reasonable standards imposed on the wholesaler and all other wholesalers of that manufacturer or nonresident seller's permittee of the same general class, taking into account the size and location of the sales territory and market to be served.

(b) Prohibits a manufacturer or nonresident seller's permittee, on the death of one of the partners of a partnership operating the business of a wholesaler, from denying the surviving partner of the partnership the right to become a successor-in-interest to the agreement between the manufacturer or nonresident seller's permittee and the partnership provided the surviving partner has been active in the management of the partnership or is otherwise capable of carrying on the business of the partnership.

(c) Prohibits a manufacturer or nonresident seller's permittee, notwithstanding Subsection (a), on the death of an owner of a wholesaler, from denying approval for a transfer of ownership to a surviving spouse or adult child of the owner. Provides that a subsequent transfer of ownership by the surviving spouse or adult child is subject to Subsection (a).

Sec. 102.138. REASONABLE COMPENSATION. (a) Requires a manufacturer or nonresident seller's permittee who, without good cause, cancels, fails to renew, or otherwise terminates an agreement or unlawfully denies approval of or unreasonably withholds consent to an assignment, transfer, or sale of a wholesaler's business assets or voting stock or other equity securities to pay the wholesaler with whom it has an agreement the fair market value of the wholesaler's business with relation to the affected brand. Requires that the consideration, in determining fair market value, be given to all elements of value, including goodwill and going concern value.

(b) Authorizes the matter, if the manufacturer or nonresident seller's permittee and wholesaler are unable to mutually agree on whether or not good cause exists for cancellation under Section 102.134 or on the reasonable compensation to be paid for the value of the wholesaler's business as provided by Subsection (a), at the option of either the wholesaler or the manufacturer or nonresident seller's permittee, to be submitted to three arbitrators, one of whom is required to be named in writing by each party and the third of whom is required to be chosen by the two arbitrators selected by the parties. Requires a judge of a district court in the county in which the wholesaler's principal place of business is located, if the arbitrators selected fail to choose a third arbitrator on or before the 10th day after the date the arbitrators were selected, to select the third arbitrator. Requires that arbitration be conducted in accordance with Chapter 171 (General Arbitration), Civil Practice and Remedies Code. Requires that arbitration costs be paid one-half by the wholesaler and one-half by the manufacturer or nonresident seller's permittee. Provides that the award of the arbitrators is binding on the parties unless appealed not later than the 10th day after the date of the award. Requires that all proceedings on appeal be in accordance with and governed by Chapter 171, Civil Practice and Remedies Code.

Sec. 102.139. RIGHT OF FREE ASSOCIATION. Prohibits a manufacturer or nonresident seller's permittee or wholesaler from restricting or inhibiting, directly or indirectly, the right of free association among manufacturers, nonresident sellers, or wholesalers for any lawful purpose.

Sec. 102.140. JUDICIAL REMEDIES. (a) Authorizes an aggrieved manufacturer, nonresident seller's permittee, or wholesaler, if a manufacturer or nonresident seller's permittee or wholesaler who is a party to an agreement fails to comply with this subchapter or engages in conduct prohibited under this subchapter, or if a manufacturer or nonresident seller's permittee and wholesaler are not able to mutually agree on reasonable compensation under Section 102.138 and the matter will not be submitted to arbitration, to maintain a civil action in an appropriate court in the county in which the wholesaler's principal place of business is located.

(b) Authorizes the court, in any action under Subsection (a), to grant such relief the court determines necessary or appropriate considering the purposes of this subchapter.

(c) Provides that the prevailing party in an action under Subsection (a) is entitled to actual damages, including the value of the wholesaler's business, as specified in Section 102.138, reasonable attorney's fees, and court costs.

Sec. 102.141. STATUTE OF LIMITATIONS. Requires a person to bring a cause of action arising under this subchapter not later than the fourth anniversary of the date the cause of action accrues. Provides that, if a termination related to a change in ownership of the brand occurs, the cause of action accrues when either the new brand owner or the transferring or selling brand owner provides notice of termination to the wholesaler.

Sec. 102.142. APPLICABILITY. (a) Provides that this subchapter applies to an agreement entered into before, on, or after September 1, 2025.

(b) Provides that this subchapter does not apply to an agreement concerning malt beverages to which Subchapter C (Territorial Limits on Sale of Malt Beverages) applies by operation of Section 102.81 (Malt Beverages).

SECTION 6. Amends Section 105.01(a), Alcoholic Beverage Code, to create an exception under Section 39.04.

SECTION 7. Effective date: September 1, 2025.