



HOUSE BILL 909: ABC Omnibus Legislation

**This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.**

2015-2016 General Assembly

Committee:	Senate Finance	Date:	May 27, 2015
Introduced by:	Reps. Hager, J. Bell	Prepared by:	Chris Saunders Committee Counsel
Analysis of:	PCS to Third Edition H909-CSTQxf-21 [v.5]		

SUMMARY: *The Proposed Committee Substitute (PCS) for House Bill 909 would make various changes to the Alcoholic Beverage Control (ABC) Commission laws.*

The PCS makes a clarifying change to Section 4 to make clear that a person may only purchase one bottle of spirituous liquor from a distillery in a 12-month period, makes additional conforming changes, and amends the effective date of that section.

The PCS also makes technical corrections to the effective date in Section 1 and makes a technical correction in Sections 6 and 7.

CURRENT LAW AND BILL ANALYSIS:

Section 1.(a) would define "antique spirituous liquor" as spirituous liquor that has not been in production or bottled in the last 20 years, is in the original manufacturer's unopened container, is not owned by a distillery, and is not otherwise available for purchase by an ABC Board except through the special order process pursuant to G.S. 18B-1001(20).

Sections 1.(b), 1.(c), and 1.(d) would create an antique spirituous liquor permit, with a \$100 fee, which could be issued to a mixed beverage permittee and would authorize the sale of antique spirituous liquors at retail for use in mixed beverages for consumption on premises. Permittees would be authorized to purchase antique spirituous liquor through the ABC Commission special order process.

Sections 1.(e) and 1.(f) would amend the alcoholic beverage pricing statute and the alcohol taxing statute to include language for pricing and taxing antique spirituous liquor.

Section 1.(g) would direct the ABC Commission to adopt temporary rules to implement the provisions of this act by September 1, 2015.

Section 2.(a) would amend G.S. 18B-101 to define "powdered alcohol" as any powder or crystalline substance capable of being converted into a liquid alcoholic beverage fit for human consumption.

Section 2.(b) would amend G.S. 18B-102 to make it unlawful for any person to manufacture, sell, transport, import, deliver, furnish, purchase, consume, or possess powdered alcohol.

Section 3.(a) would authorize the Eastern Band of Cherokee Indians tribal alcoholic beverage control commission to issue: (i) permits in compliance with G.S. 18B-603(f), (ii) wine shipper permits, and (iii) commercial activity permits for commercial businesses that are located wholly on Indian Country lands. This section would also grant them sole enforcement authority for those permittees to the extent the regulated conduct occurs on Indian Country lands. Both the Eastern Band of Cherokee Indians and the

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North Carolina Alcoholic Beverage Control Commission would be required to equally recognize any permit issued by the other entity.

Section 3.(b) would authorize the issuance of "Tourism ABC Establishment" permits for restaurants and hotels that meet that definition between Mileposts 460 and 469 of the Blue Ridge Parkway. The Eastern Band of Cherokee Indians tribal alcoholic beverage commission would be given exclusive authority to issue "Tourism ABC Establishment" permits to those restaurants and hotels that are located wholly on Indian Country lands.

Section 4.(a) would allow the holder of a distillery permit to sell, in closed containers, liquor that is manufactured at the distillery to visitors who tour the premises for off-premises consumption. The authorization applies only to distilleries that manufacture less than 100,000 proof gallons per year.

The sales would be allowed only in a county where the establishment of a county or municipal ABC store has been approved by election, and would be subject to the time and day restrictions as ABC stores.

The liquor must listed as a code item for sale in the State and must be sold at the price set by the Commission pursuant to G.S. 18B-804(b). There must also be a sticker affixed to the bottle bearing the words "North Carolina Distillery Tour Commemorative Spirit."

Consumers would be limited to purchasing no more than one of any North Carolina code item per calendar year. A distillery would be required to use a commonly adopted standard point of sale system to maintain searchable electronic records captured at the point of sale, to include the purchaser's name, drivers license number, and date of birth for at least one year from the date of purchase. The distillery would not be permitted sell any North Carolina code item to a customer who has purchased the code item in the last year. The Commission would be directed to adopt temporary rules to regulate sales made under this section by October 1, 2015, including the allocation of the proceeds of the sale of spirituous liquor sold at a distillery. This section would become effective on the effective date of those rules.

Sections 4.(b) through 4.(e) would make a technical change and conforming changes in the excise tax statutes to acknowledge the addition of distillery permittees as collectors of the tax.

Sections 4.(f) and 4.(g) would make conforming changes.

Section 5.(a) would amend G.S. 18B-1001 by removing incorrect citations to rules regulating the filling of a growler with malt beverages,¹ and would allow the holders of both off-premises and on-premises unfortified wine permits to sell unfortified wine² for off-premises consumption if dispensed from a tap connected to a pressurized container utilizing carbon dioxide or similar gas into a cleaned, sanitized, resealable container that is filled or refilled and sealed for consumption off-premises and that identifies the permittee and the date the container was filled or refilled. Cider is classified as an unfortified wine and may be sold by retailers holding unfortified wine permits issued by the ABC Commission. Under current law, permittees may sell unfortified wine in the manufacturer's original container for consumption off-premises.

¹ The current citations are to rules found in Chapter 2 (ABC Commission) of NCAC Title 4 (Department of Commerce). The ABC Commission has been moved from Commerce to the Department of Public Safety, but the North Carolina Administrative Code does not yet reflect the transfer of the ABC Commission rules to NCAC Title 14B (Department of Public Safety).

² Unfortified wine is "any wine of sixteen percent (16%) or less alcohol by volume made by fermentation from grapes, fruits, berries, rice, or honey; or by the addition of pure cane, beet, or dextrose sugar; or by the addition of pure brandy from the same type of grape, fruit, berry, rice, or honey that is contained in the base wine and produced in accordance with the regulations of the United States." G.S. 18B-101(18).

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Section 5.(b) would apply the ABC Commission's existing rules governing the retail sale of malt beverages in growlers to the retail sale of unfortified wine in growlers until the Commission adopts rules implementing this act.

Section 6 would provide that a brewery that enters into an "alternating proprietorship" arrangement with another brewery has not changed ownership and therefore does not lose its ABC permits. In this arrangement, the tenant brewery maintains title to the malt beverages at all states of the brewing process and is responsible for all aspects associated with manufacturing the product. Alternating proprietorships would be authorized between affiliated breweries, provided the contract brewing arrangement is not used to allocate production quantities between affiliated breweries to obtain a malt beverage wholesaler permit where either brewery would not otherwise qualify for the permit (i.e., because the brewery exceeds the 25,000 barrel cap).

An alternating proprietorship is an arrangement in which two or more people take turns using the physical premises of a brewery. Generally, the proprietor of an existing brewery, the "host brewery," agrees to rent space and equipment to a new "tenant brewer." The tenant qualifies as a brewer by filing the appropriate documents with federal Alcohol and Tobacco Tax and Trade Bureau. The tenant brewer produces beer, maintains its own brewery records, labels the beer with its own name and address, obtains the necessary Certificates of Label Approval, and pays tax at the appropriate rate upon removal of its beer from the brewery. The tenant brewer has title to the beer at all stages of the brewing process.

Section 7 would provide that the holder of a brewery permit may sell malt beverages to a nonresident wholesaler, nonresident malt beverage vendor, bottler, or other similar party for resale in this State if the malt beverages are shipped from the brewery to wholesalers licensed under Chapter 18B.

This section would allow the holder of a brewery permit to receive, in closed containers, and sell at the brewery, malt beverages produced inside or outside North Carolina under contract with a contract brewery. The contract brewery that manufactures the malt beverages would be responsible for all aspects of manufacturing the product. The contract malt beverages would also be allowed to be sold affiliated retail outlets of the brewery physically located on or adjacent to the brewery. Any malt beverages received from a contract brewery must be made available for sale by the brewery to wholesalers for distribution to retailers, without discrimination, in the same manner as if the malt beverages were being imported by the brewery. Contract brewing would be authorized between affiliated breweries, provided the contract brewing arrangement is not used to allocate production quantities between affiliated breweries to obtain a malt beverage wholesaler permit where either brewery would not otherwise qualify for the permit (i.e., because the brewery exceeds the 25,000 barrel cap).

A contract brewing arrangement is a business relationship in which one person, such as a wholesale or retail dealer or a brewer, pays a brewing company, the "contract brewer," to produce beer for him or her. The contract brewer is entirely responsible for producing the beer, keeping appropriate brewery records, obtaining necessary Certificates of Label Approval, and paying tax at the appropriate rate upon removal of the beer from the brewery. The contract brewer retains title to the beer until the beer is paid for or removed from the brewery.

Section 8 would allow the ABC Commission to issue a guest room cabinet permit to an 18-hole golf course that (i) holds a mixed beverages permit or that is located in a county where ABC stores have heretofore been established but in which the sale of mixed beverages has not been approved, (ii) has management contracts for the rental of living units, and (iii) is located in a county with a population over 20,000 people by the last federal census.

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A guest room cabinet permit allows a permittee to sell malt beverages, unfortified wine, fortified wine, and spirituous liquor to its room guests from securely locked cabinets. Under current law, guest room cabinet permits may be issued to hotels in certain counties³ that have a mixed beverages permit, or private clubs in certain counties that have a mixed beverages permit and management contracts for the rental of living units.

EFFECTIVE DATE: Except as otherwise provided, this act is effective when it becomes law.

Susan Sitze, counsel to House Alcoholic Beverages Control, substantially contributed to this summary.

³ Guest room cabinet permits have been issued in Buncombe, Durham, Forsyth, Guilford, Mecklenburg, Moore, and Wake Counties.