



SENATE BILL 290: Distiller Regulatory Reform Bill.

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

2019-2020 General Assembly

Committee:	House Alcoholic Beverage Control. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	June 27, 2019
Introduced by:	Sens. Gunn, Blue, Harrington	Prepared by:	Chris Saunders Committee Counsel
Analysis of:	PCS to Third Edition S290-CSTQ-26		

OVERVIEW: Senate Bill 290 would (i) expand the types and amounts of products that distilleries could sell at the distillery, (ii) allow certain orders of distillery products, (iii) allow distilleries to issue purchase-transportation permits, and (iv) allow ABC stores to conduct in-store spirituous liquor tastings.

The PCS would allow any employee of an ABC store to issue purchase-transportation permits, if he or she is authorized to issue permits by the local board chairman, and clarify that any spirituous liquor tasting conducted in an ABC store shall be the sole responsibility of the permit holder.

[As introduced, this bill was identical to H378, as introduced by Reps. McGrady, Hardister, Fisher, B. Turner, which is currently in House Alcoholic Beverage Control.]

CURRENT LAW AND BILL ANALYSIS:

Section 1 would allow the holder of a distillery permit to obtain permits for on-premises malt beverage, on-premises unfortified wine, on-premises fortified wine, and mixed beverages and sell those types of alcoholic beverages for consumption at the distillery.

Section 2 would allow the holder of a distillery permit to sell mixed beverages for consumption at the distillery. If a distillery elects to sell mixed beverages containing spirituous liquor other than that produced at the distillery, the distillery must obtain a mixed beverages permit.

Section 3 would authorize ABC stores to allow the purchase of individual bottles of spirituous liquor purchased through the special order process, and to sell in store any bottles received in excess of what was purchased by the requesting customer.

This section would also direct local ABC boards to fulfill an order by a mixed beverages permittee for individual bottles or cases of spirituous liquor produced by an eligible distillery that are listed a regular code item for sale in the State. If the local board could not fulfill the order because it was not in the local board's stock inventory or the order could not otherwise be fulfilled within the time period requested by the permittee, the local board would be required to notify the Commission within 48 hours of the request for the order and request authorization for direct shipment. The Commission would then determine if the eligible distillery desires to directly ship the ordered product directly to the local board, and if so the

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Commission would be required to allow the eligible distillery to ship the spirituous liquor ordered to the local board for the fulfillment of the mixed beverages permittee's order. The local board would be required to acknowledge receipt of the merchandise on the shipping documents and forward them to the State ABC warehouse for processing through the accounting system as though the merchandise were shipped from the State ABC warehouse.

For purposes of this section, an "eligible distillery" would be defined as a distillery that (i) sells, to consumers at the distillery, to exporters, to local boards, and to private or public agencies or establishments of other states or nations, fewer than 10,000 proof gallons of in-house brand spirituous liquors distilled and manufactured by it at the permit holder's distillery per year, and (ii) that is either the holder of a distillery permit pursuant to G.S. 18B-1105 or is a business located outside the State that is licensed or permitted to manufacture spirituous liquor in the jurisdiction where the business is located and whose products are lawfully sold in this State."

This section would also direct the Commission to develop and implement an Internet-based system to facilitate the sale and purchase of regular approved list items and special order list items of spirituous liquor by and among local ABC boards

This section would become effective August 1, 2019, and the special order provision would apply to orders placed on or after that date.

Section 4 would remove current restrictions on what distilleries can sell at the distillery for off-premises consumption to a visitor who takes a tour (currently limited to 5 bottles per person in a 12 month period, and requires a "North Carolina Distillery Tour Commemorative Spirit" sticker). This section would also provide that a distillery is not subject to the prohibitions against holding financial interests in, and lending or giving things of value to, a retailer with respect to the distillery's transactions with the retail business allowed on its premises.

This section would become effective August 1, 2019, and apply to sales made on or after that date.

Section 5 would allow distilleries to issue purchase-transportation permits for spirituous liquor sold by the distillery. A purchase-transportation permit allows a person to purchase and transport an amount of spirituous liquor greater than eight liters.

This section would also allow any employee of an ABC store to issue a purchase-transportation permit, if he or she is authorized to issue permits by the local board chairman.

This section would become effective August 1, 2019, and would apply to purchases made on or after that date.

Section 6 would allow spirituous liquor tastings to be conducted in ABC stores where the local ABC board has approved the tasting. A local board holding tastings must give a reasonable opportunity to a certain number of North Carolina distillery permit holders, the number to be determined by the Commission.

EFFECTIVE DATE: Except as otherwise provided, this act becomes effective August 1, 2019.