

BILL ANALYSIS

Senate Research Center

S.B. 1575
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Business & Commerce
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, small Texas breweries are prohibited from selling beer to the ultimate consumer. This prohibition keeps small brewers from being able to market their products and grow their business. Furthermore, the prohibition puts small Texas breweries at a disadvantage to small breweries located in states that do not have similar prohibitions on direct sales to consumers, allowing small breweries in other states to grow at a faster rate than small breweries in Texas. Texas law recognizes the value of this privilege by granting wine producers the right to sell their products to the ultimate consumer, which has resulted in thousands of new jobs and millions of dollars in economic growth and tax revenue to the state.

S.B. 1575 would allow small brewers to make on-premise sales of their own products directly to the consumer for on-premise consumption so long as the sale is made over-the-counter, face-to-face. S.B. 1575 would not permit a small brewer to ship its products out of state.

As proposed, S.B. 1575 amends current law relating to authorizing certain brewers and manufacturers to sell beer and ale to ultimate consumers.

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 12.05, Alcoholic Beverage Code, as follows:

Sec. 12.05. SALES BY CERTAIN BREWERS. (a) Creates this subsection from existing text. Authorizes the holder of a brewer's permit whose annual production of ale in this state does not exceed, together with the annual production of beer by the holder of a manufacturer's license under Section 62.12 (Sales by Certain Manufacturers) at the same premises, a total of 75,000 barrels, rather than together with the annual production of beer by the holder of a manufacturer's license acting under the authority of Section 62.12 of this code, to:

(1) *[Creates this subdivision from existing text.]* sell ale produced under the permit to those persons to whom the holder of a general class B wholesaler's permit may sell malt liquor under Section 20.01(3) (relating to liquors in original containers), rather than Section 20.01(3) of this code. Provides that, with regard to such a sale, the brewer has the same authority and is subject to the same requirements that apply to a sale made by the holder of a general class B wholesaler's permit; *or [text added]*

(2) sell ale produced under the permit to those persons to whom the holder of a wine and beer retailer's permit may sell malt liquor under Section 25.01(1) (relating to consumption on premises of alcohol sale) for consumption on the brewer's premises, or for off-premises consumption.

Prohibits the total combined sales of ale to ultimate consumers under this section, together with the sales of beer to ultimate consumers by the holder of a manufacturer's license under Section 62.12 at the same premises, from exceeding 5,000 barrels annually. Provides that with regard to such a sale, the brewer has the same authority and is subject to the same requirements that apply to a sale made by the holder of a wine and beer retailers permit.

SECTION 2. Amends Section 62.12, Alcoholic Beverage Code, as follows:

Sec. 6212 *[sic]*. SALES BY CERTAIN MANUFACTURERS. (a) Authorizes the holder of a manufacturer's licensee whose annual production of beer in this state does not exceed, together with the annual production of ale by the holder of a brewer's permit under Section 12.05 at the same premises, a total of 75,000 barrels, to:

(1) *[Creates this subdivision from existing text.]* sell beer produced under the license to those permittees, licensees, and person's *[sic]* to whom a general distributor's licensee may see *[sic]* beer under Section 64.01(2) of this code. Provides that with regard to such a sale, the manufacturer has the same authority and is subject to the same requirements as apply to a sale made by a general distributor's licensee; *or [text added]*

(2) sell beer produced under the license to those persons to whom the holder of a wine and beer retailer's permit may sell beer under Section 25.01(1):

(A) for consumption on the manufacturer's premises or;

(B) for off-premises consumption.

Prohibits the total combined sales of beer to ultimate consumers under this section, together with the sales of ale to ultimate consumers by the holder of a brewer's permit under Section 12.05 at the same premises, from exceeding 5,000 barrels annually. Provides that with regard to such a sale, the brewer has the same authority and is subject to the same requirements that apply to a sale made by the holder of a wine and beer retailer's permit.

(A) *[sic]* Provides that the authority granted by this section is additional to that granted by Section 62.01 of this code.

SECTION 3. Effective date: upon passage or September 1, 2011.