

**SUBJECT:** Sales by brewpubs to holders of three types of wholesaler permits

**COMMITTEE:** Licensing and Administrative Procedures — favorable, without amendment

**VOTE:** 8 ayes — Kuempel, Guillen, Frullo, Geren, Hernandez, Herrero, Paddie, S. Thompson

0 nays

1 absent — Goldman

**WITNESSES:** For — (*Registered, but did not testify*: Rick Donley, the Beer Alliance of Texas; Tom Spilman, Wholesale Beer Distributors of Texas)

Against — None

On — (*Registered, but did not testify*: Thomas Graham, Texas Alcoholic Beverage Commission)

**BACKGROUND:** The Alcoholic Beverage Code establishes three types of permits for wine, spirits, and ale wholesalers:

- wholesaler (ch. 19);
- general class B wholesaler (ch. 20); and
- local class B wholesaler (ch. 21).

Alcoholic Beverage Code, ch. 74 governs the activities of brewpubs and authorizes brewpubs to sell their products on their premises to consumers and to make certain other sales to distributors and wholesalers. Sales by brewpubs to wholesalers are governed by sec. 74.10, which allows sales of ale and malt liquor to the holders of *local* class B wholesaler's permits.

Alcoholic Beverage Code, sec. 20.01 authorizes *general* class B wholesalers to make purchases from brewpubs.

**DIGEST:** HB 2098 would authorize brewpubs to sell ale and malt liquor to holders of wholesaler's permits and *general* class B wholesaler's permits.

The bill would allow holders of wholesaler's permits and *local* class B wholesaler's permits to make purchases from brewpubs.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2017.

**SUPPORTERS SAY:** HB 2098 would address an oversight in a 2013 law that was designed to allow brewpubs to sell their products to all three types of wholesalers but instead authorized sales to only one type of wholesaler and did not authorize all types of wholesalers to make purchases from brewpubs.

This has resulted in the statute authorizing brewpubs to sell only to local class B wholesalers and not to general class B wholesalers or to wholesalers. It also has meant that only general class B wholesalers may buy alcohol from brewpubs.

HB 2098 would resolve this problem so brewpubs could sell to all three types of wholesalers and all three types of wholesalers could make purchases from brewpubs. This would implement the intent and goal of the 2013 law to create an avenue for the growth of brewpubs and to put them on equal footing with brewpubs in other states. The bill would align the statute with current practices of brewpubs and wholesalers and of the Texas Alcoholic Beverage Commission, which has not taken any action when brewpubs and wholesalers have bought from and sold to each other in the spirit of the 2013 law.

**OPPONENTS SAY:** No apparent opposition.