

- SUBJECT:** Transfer of alcoholic beverages for manufacturing purposes
- COMMITTEE:** Licensing and Administrative Procedures — favorable, without amendment
- VOTE:** 9 ayes — Smith, Kuempel, Geren, Gooden, Guillen, Gutierrez, Miles, Price, S. Thompson
0 nays
- SENATE VOTE:** On final passage, March 13 — 31-0, on the Local and Uncontested Calendar
- WITNESSES:** (*On companion bill, HB 2041:*)
For — Joshua Holland (Texas Distilled Spirits Association; (*Registered, but did not testify*: Kathy Barber, NFIB/Texas; Alan Gray, Licensed Beverage Distributors; Austin Keith; Lance Lively, Texas Package Stores Association; Scott Metzger, Texas Craft Brewers Guild; Mark Shilling, Revolution Spirits Inc.; Ralph Townes, Licensed Beverage Distributors)

Against — None

On — (*Registered, but did not testify*: Carolyn Beck, Texas Alcoholic Beverage Commission)
- DIGEST:** SB 652 would allow the holder of a brewer’s permit, distiller’s and rectifier’s permit, winery permit, wine bottler’s permit, or manufacturer’s license to transfer in bulk an alcoholic beverage produced by the permittee or licensee to any other such permittee or licensee. The transported alcohol would have to be used by the recipient only for manufacturing purposes and the transfer would have to be permitted by federal law.

The bill also would allow distillers to purchase distilled spirits from other distillers for manufacturing or rectification purposes only.

The bill would take effect September 1, 2013.
- SUPPORTERS** SB 652 specifically would allow manufacturers of wine, beer, and distilled

SAY: spirits to transfer bulk product among each other for manufacturing purposes within the state. Current law is ambiguous on this point, and some Texas distillers have received conflicting information on what products they are allowed to purchase for production and manufacturing purposes. Distillers have asked for clarification in statute because they often use beer to produce distilled spirits and would like clear statutory authorization to buy alcoholic products in bulk.

The bill also would allow distillers to purchase distilled spirits from other in-state distillers for manufacturing purposes. State law already allows them to purchase distilled spirits from out-of-state distillers.

The bill would be limited as a result of federal law, which prohibits breweries and wineries from using other types of alcohol in manufacturing. Federal law does, however, allow distilleries to use malt beverages in production. As a result of these federal restrictions, the bill essentially would legalize only the transfer from breweries to distilleries and distilleries to each other.

The restrictions on distillers that SB 652 would lift are anachronisms from when there were no distilleries in Texas. It has only been during the past few decades that the industry has developed in Texas. SB 652 would allow the industry to continue to grow.

**OPPONENTS
SAY:** No apparent opposition

NOTES: The House companion bill, HB 2041 by Guillen, was reported favorably by the Licensing and Administrative Procedures Committee on March 26.