

SUBJECT: Allowing importation of beer, ale, and malt liquor for manufacturing

COMMITTEE: Licensing and Administrative Procedures — favorable, without amendment

VOTE: 9 ayes — T. King, Goldman, Guillen, Harless, Herrero, K. King, Kuempel, Paddie, S. Thompson

0 nays

2 absent — Geren, Hernandez

WITNESSES: For — Omar Alsaigh, Refresco

Against — None

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

BACKGROUND: Under Alcoholic Beverage Code sec. 12.01, the holder of a brewer's permit may manufacture, bottle, package and sell malt liquor, import ale and malt liquor from holders of nonresident brewer's permits, and sell ale and malt liquor to wholesalers.

Under sec. 62.01, a holder of a manufacturer's license may manufacture or brew beer and sell it in Texas to holders of distributor's licenses and to qualified persons outside of Texas and may bottle and can beer and pack it into containers for resale in Texas, regardless of whether it was brewed in Texas or another state.

Some have suggested that a recent interpretation of the Alcoholic Beverage Code could prevent an independent Texas bottler from continuing to import a malt-based product that it uses to manufacturer an alcoholic drink.

DIGEST: HB 1998 would allow the holders of a brewer's permit to import ale and

malt liquor for manufacturing purposes from a holder of a nonresident brewer's permit and to mix and blend imported ale and malt liquor to bottle and sell the product. The state tax on ale and malt liquor would not accrue until the ale or malt liquor had been used for manufacturing and the product had been placed in containers to sell.

The bill would authorize the holder of a manufacturer's license to import for manufacturing purposes beer from a holder of a nonresident manufacturer's license and ale and malt liquor from a holder of a nonresident brewer's permit. The holder of a manufacturer's license could mix and blend imported beer, ale, and malt liquor and bottle and sell the product. The state tax on the beer, ale, or malt liquor would not accrue until they had been used for manufacturing and the product had been placed in containers to sell.

HB 1998 would expand the current authority of those with manufacturer's licenses to import beer in barrels and other containers to include importing ale and malt liquor and would remove a prohibition on importing beer in tank cars.

The bill would take effect September 1, 2019.