

SENATE BILL NO. 345—SENATOR SETTELMAYER

MARCH 18, 2019

JOINT SPONSORS: ASSEMBLYMEN TITUS, WHEELER; AND ELLISON

Referred to Committee on Revenue and
Economic Development

SUMMARY—Revises provisions governing estate distilleries.
(BDR 52-980)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to estate distilleries; authorizing an estate distillery to receive certain spirits in bulk for the purpose of rectification; revising when certain spirits that are received, imported or transferred in bulk are subject to taxation; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law provides for the operation of estate distilleries. (NRS 597.237) Existing law provides that, with respect to the distilled spirits manufactured by an estate distillery, 85 percent of the agricultural raw materials from which such distilled spirits are manufactured were grown on land within this State which is owned or controlled by the owner of the estate distillery. (NRS 597.200) Existing law requires an estate distillery to ensure that none of the spirits manufactured at the estate distillery are derived from neutral or distilled spirits manufactured by another manufacturer. (NRS 597.237)

This bill removes the requirement that none of the spirits manufactured at an estate distillery be derived from neutral or distilled spirits manufactured by another manufacturer. This bill authorizes an estate distillery to import neutral or distilled spirits in bulk from a supplier for the purpose of rectification, provided that the person who operates the estate distillery obtains a license as an importer of liquor. This bill also authorizes an estate distillery to receive neutral or distilled spirits in bulk from a supplier in this State for the purpose of rectification. This bill requires the person operating an estate distillery which engages in the blending or rectifying of spirits to ensure that any blended or rectified spirits manufactured by the estate distillery were manufactured using agricultural raw materials, 85 percent of which



were grown on land within this State which is owned or controlled by the owner of the estate distillery.

Existing law authorizes an estate distillery to transfer in bulk neutral or distilled spirits to a supplier. Existing law provides that any such transfer is taxable only when the neutral or distilled spirits are rectified and bottled in original packages for sale within this State. (NRS 597.237) This bill provides that neutral or distilled spirits which are received or imported for rectification or which are transferred by an estate distillery are taxable only when they are rectified and bottled in original packages for sale within this State and are removed from the federally bonded premises of the estate distillery or supplier, as applicable.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 597.210 is hereby amended to read as follows:

597.210 1. Except as otherwise provided in subsection 2, a person engaged in business as a supplier or engaged in the business of manufacturing, blending or bottling alcoholic beverages within or without this State shall not:

(a) Engage in the business of importing, wholesaling or retailing alcoholic beverages; or

(b) Operate or otherwise locate his or her business on the premises or property of another person engaged in the business of importing, wholesaling or retailing alcoholic beverages.

2. This section does not:

(a) Preclude any person engaged in the business of importing, wholesaling or retailing alcoholic beverages from owning less than 2 percent of the outstanding ownership equity in any organization which manufactures, blends or bottles alcoholic beverages.

(b) Prohibit a person engaged in the business of rectifying or bottling alcoholic beverages from importing neutral or distilled spirits in bulk only for the express purpose of rectification pursuant to NRS 369.415 ~~or~~ **or 597.237.**

(c) Prohibit a person from operating a brew pub pursuant to NRS 597.230.

(d) Prohibit a person from operating an instructional wine-making facility pursuant to NRS 597.245.

(e) Prohibit a person from operating a craft distillery pursuant to NRS 597.235.

(f) Prohibit a person from operating an estate distillery pursuant to NRS 597.237.

(g) Prohibit a person from operating a winery pursuant to NRS 597.240.

Sec. 2. NRS 597.237 is hereby amended to read as follows:

597.237 1. A person may operate an estate distillery if the person:



(a) Obtains a license for the facility pursuant to chapter 369 of NRS;

(b) Complies with the requirements of this chapter; and

(c) Complies with any other applicable governmental requirements.

2. A person who operates an estate distillery pursuant to this section may:

(a) In addition to manufacturing spirits from agricultural raw materials through distillation, blend, age, store and bottle the spirits so manufactured. ~~[The]~~ *If the estate distillery engages in the blending or rectifying of spirits, the* person operating the estate distillery shall ensure that ~~[none of the]~~ *any blended or rectified* spirits manufactured at the estate distillery are ~~[derived from neutral or distilled spirits manufactured by another manufacturer.]~~ *manufactured from raw materials, 85 percent of which, in aggregate, were grown on land within this State which is owned or controlled by the owner of the estate distillery.*

(b) Except as otherwise provided in paragraphs (f) and (g), in any calendar year, sell and transport in Nevada not more than a combined total of 75,000 cases of spirits at the estate distillery to a person who holds a license to engage in business as a wholesale dealer of liquor pursuant to chapter 369 of NRS.

(c) In any calendar year, manufacture for exportation to another state, not more than a combined total of 400,000 cases of spirits at all the estate distilleries the person operates.

(d) On the premises of the estate distillery, serve samples of the spirits manufactured at the estate distillery. Any such samples must not exceed, per person, per day, 4 fluid ounces in volume.

(e) On the premises of the estate distillery, sell the spirits manufactured at the estate distillery at retail for consumption on or off the premises. Any such spirits sold at retail for off-premises consumption must not exceed, per person, per month, 1 case of spirits and not exceed, per person, per year, 6 cases of spirits. The total amount of such spirits sold at retail for off-premises consumption must not exceed 7,500 cases per year. Spirits purchased on the premises of an estate distillery must not be resold by the purchaser or any retail liquor store. A person who operates an estate distillery shall prominently display on the premises a notice that the resale of spirits purchased on the premises is prohibited.

(f) Donate for charitable or nonprofit purposes and transport neutral or distilled spirits manufactured at the estate distillery in accordance with the terms and conditions of a special permit for the transportation of the neutral or distilled spirits obtained from the Department of Taxation pursuant to subsection 4 of NRS 369.450.



(g) Transfer in bulk neutral or distilled spirits manufactured at the estate distillery to a supplier. Any such transfer:

(1) Is taxable only when the neutral or distilled spirits are rectified and bottled in original packages for sale within this State ~~and removed from the federally bonded premises of the supplier;~~ and

(2) Is not a sale for the purposes of paragraph (b) or manufacturing for exportation for the purposes of paragraph (c).

(h) Subject to the provisions of subsection 3, receive or import neutral or distilled spirits in bulk from a supplier for the sole purpose of rectification. Neutral or distilled spirits so received or imported are taxable only when the neutral or distilled spirits are:

(1) Rectified and bottled in original packages for sale within this State; and

(2) Removed from the federally bonded premises of the estate distillery.

3. Notwithstanding any other provision of law, a person who operates an estate distillery shall not import liquors into this State:

(a) Unless the person first secures an importer's license pursuant to NRS 369.180; and

(b) Except as authorized by paragraph (h) of subsection 2.

4. Rectified spirits manufactured by an estate distillery pursuant to this section shall be sold in this State only after bottling in original packages.

Sec. 3. This act becomes effective on July 1, 2019.

