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FIRST REPRINT

S.B. 345

SENATE BILL NO. 345—SENATOR SETTELMEYER

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 brew pubs and certain wineries to transfer certain malt beverages and wine in bulk to an estate distillery; authorizing an estate distillery to receive malt beverages and wine in bulk for the purpose of distillation and blending; revising when certain spirits that are received 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 brew pubs, estate distilleries and wineries. (NRS 597.230, 597.237 and 597.240) 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)

**Section 2** of 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. **Section 2** also authorizes an estate distillery to blend and distill wines and malt beverages, provided such wines and malt beverages are acquired from a licensed brew pub or winery in this State meeting certain requirements.

**Sections 1.5, 2, 2.3, 2.5 and 2.7** of this bill authorize an estate distillery to receive from a licensed brew pub or winery in this State meeting certain requirements, in bulk, wine or malt beverages for the purpose of distillation and blending. **Sections 1.5, 2, 2.3, 2.5 and 2.7** provide that wine and malt beverages so received are taxable only when the wine or malt beverages are bottled in original



\* S B 3 4 5 R 1 \*

packages for sale within this State and removed from the federally bonded premises 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) **Section 2** provides that neutral or distilled spirits which are so received are taxable only when they are bottled in original packages for sale within this State and are removed from the federally bonded premises of the supplier.

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

**Section 1.** (Deleted by amendment.)

**Sec. 1.5.** NRS 597.230 is hereby amended to read as follows:

597.230 1. In any county, a person may operate a brew pub:

(a) In any redevelopment area established in that county pursuant to chapter 279 of NRS;

(b) In any historic district established in that county pursuant to NRS 384.005;

(c) In any retail liquor store as that term is defined in NRS 369.090; or

(d) In any other area in the county designated by the board of county commissioners for the operation of brew pubs. In a city which is located in that county, a person may operate a brew pub in any area in the city designated by the governing body of that city for the operation of brew pubs.

➤ A person who operates one or more brew pubs may not manufacture more than 40,000 barrels of malt beverages for all the brew pubs he or she operates in this State in any calendar year.

2. The premises of any brew pub operated pursuant to this section must be conspicuously identified as a "brew pub."

3. Except as otherwise provided in subsection 4, a person who operates one or more brew pubs pursuant to this section may, upon obtaining a license pursuant to chapter 369 of NRS and complying with any other applicable governmental requirements:

(a) Manufacture and store malt beverages on the premises of one or more of the brew pubs and:

(1) Sell and transport the malt beverages manufactured on the premises to a person holding a valid wholesale wine and liquor dealer's license or wholesale beer dealer's license issued pursuant to chapter 369 of NRS.

(2) Donate for charitable or nonprofit purposes and, for the purposes of the donation, transport the malt beverages manufactured on the premises in accordance with the terms and conditions of a special permit for the transportation of the malt beverages obtained



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1 from the Department of Taxation pursuant to subsection 4 of  
2 NRS 369.450.

3 *(3) Transfer in bulk the malt beverages manufactured on*  
4 *the premises to a person holding a valid license to operate an*  
5 *estate distillery issued pursuant to chapter 369 of NRS for the*  
6 *purpose of distillation and blending, which transfer is taxable only*  
7 *as provided in NRS 597.237.*

8 (b) Manufacture and store malt beverages on the premises of  
9 one or more of the brew pubs and transport the malt beverages  
10 manufactured on the premises to a retailer, other than a person who  
11 operates a brew pub pursuant to this section, that holds a valid  
12 license pursuant to chapter 369 of NRS for the purpose of selling the  
13 malt beverages at a special event in accordance with the terms and  
14 conditions of a special permit for the transportation of the malt  
15 beverages obtained from the Department of Taxation pursuant to  
16 subsection 4 of NRS 369.450. For the purposes of this paragraph,  
17 the person who operates one or more brew pubs shall not obtain  
18 more than 20 such special permits for the transportation of the malt  
19 beverages from the Department of Taxation pursuant to subsection 4  
20 of NRS 369.450 within a calendar year.

21 (c) Sell at retail, not for resale, malt beverages manufactured on  
22 or off the premises of one or more of the brew pubs for consumption  
23 on the premises.

24 (d) Sell at retail, not for resale, in packages sealed on the  
25 premises of one or more of the brew pubs, malt beverages, including  
26 malt beverages in unpasteurized form, manufactured on the  
27 premises for consumption off the premises.

28 4. The amount of malt beverages sold pursuant to paragraphs  
29 (b), (c) and (d) of subsection 3 must not exceed a total of 5,000  
30 barrels in any calendar year. Of the 5,000 barrels, not more than  
31 1,000 barrels may be sold in kegs.

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

33 597.237 1. A person may operate an estate distillery if the  
34 person:

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

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

38 (c) Complies with any other applicable governmental  
39 requirements.

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

42 (a) In addition to manufacturing spirits from agricultural raw  
43 materials through distillation, blend, age, store and bottle the spirits  
44 so manufactured. ~~[The person operating the estate distillery shall~~

45 ~~ensure that none of the spirits manufactured at the estate distillery~~



1 ~~are derived from neutral or distilled spirits manufactured by another~~  
2 ~~manufacturer.}~~

3 (b) *Blend and distill wines or malt beverages, provided any*  
4 *such wine or malt beverage was manufactured by:*

5 (1) *A brew pub licensed pursuant to NRS 597.230;*

6 (2) *A winery that has been issued a wine-maker's license*  
7 *pursuant to NRS 369.200 on or before September 30, 2015; or*

8 (3) *A winery that has been issued a wine-maker's license*  
9 *pursuant to NRS 369.200 on or after October 1, 2015, if 25*  
10 *percent or more of the wine produced, blended or aged by the*  
11 *winery is produced, blended or aged from fruit grown in this State.*

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

17 ~~{(e)}~~ (d) In any calendar year, manufacture for exportation to  
18 another state, not more than a combined total of 400,000 cases of  
19 spirits at all the estate distilleries the person operates.

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

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

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

40 ~~{(g)}~~ (h) Transfer in bulk neutral or distilled spirits  
41 manufactured at the estate distillery to a supplier. Any such transfer:

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



(2) Is not a sale for the purposes of paragraph ~~[(b)]~~ (c) or manufacturing for exportation for the purposes of paragraph ~~[(e)]~~ (d).

*(i) Subject to the provisions of subsection 3, receive wine or malt beverages in bulk from a person described in subparagraph (1), (2) or (3) of paragraph (b) for the purpose of distillation and blending. Wine and malt beverages so received are taxable only when the wine and malt beverages are:*

*(1) Distilled, blended or both, and bottled in original packages for sale within this State; and*

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

*3. A person who operates an estate distillery shall not receive a shipment of wine or malt beverages:*

*(a) Unless the person first notifies the Department of Taxation that the distillery will receive such a shipment; and*

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

*4. Spirits manufactured by an estate distillery pursuant to this section may be sold in this State only after bottling in original packages.*

**Sec. 2.3.** 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 person operating the estate distillery shall ensure that none of the spirits manufactured at the estate distillery are derived from neutral or distilled spirits manufactured by another manufacturer.)]~~

(b) *Blend and distill wines or malt beverages, provided any such wine or malt beverage was manufactured by:*

*(1) A brew pub licensed pursuant to NRS 597.230;*

*(2) A winery that has been issued a wine-maker's license pursuant to NRS 369.200 if 25 percent or more of the wine produced, blended or aged by the winery is produced, blended or aged from fruit grown in this State.*

(c) Except as otherwise provided in paragraphs ~~[(f) and (g)]~~ (g) and (h), in any calendar year, sell and transport in Nevada not more



1 than a combined total of 75,000 cases of spirits at the estate  
2 distillery to a person who holds a license to engage in business as a  
3 wholesale dealer of liquor pursuant to chapter 369 of NRS.

4 ~~[(e)]~~ (d) In any calendar year, manufacture for exportation to  
5 another state, not more than a combined total of 400,000 cases of  
6 spirits at all the estate distilleries the person operates.

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

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

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

27 ~~[(g)]~~ (h) Transfer in bulk neutral or distilled spirits  
28 manufactured at the estate distillery to a supplier. Any such transfer:

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

33 (2) Is not a sale for the purposes of paragraph ~~[(b)]~~ (c) or  
34 manufacturing for exportation for the purposes of paragraph  
35 ~~[(e)]~~ (d).

36 *(i) Subject to the provisions of subsection 3, receive wine or*  
37 *malt beverages in bulk from a person described in subparagraph*  
38 *(1) or (2) of paragraph (b) for the purpose of distillation and*  
39 *blending. Wine and malt beverages so received are taxable only*  
40 *when the wine and malt beverages are:*

41 *(1) Distilled, blended or both, and bottled in original*  
42 *packages for sale within this State; and*

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



3. *A person who operates an estate distillery shall not receive a shipment of wine or malt beverages:*

(a) *Unless the person first notifies the Department of Taxation that the distillery will receive such a shipment; and*

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

4. *Spirits manufactured by an estate distillery pursuant to this section may be sold in this State only after bottling in original packages.*

**Sec. 2.5.** NRS 597.240 is hereby amended to read as follows:

597.240 1. A winery that is federally bonded and permitted by the Alcohol and Tobacco Tax and Trade Bureau of the United States Department of the Treasury, including, without limitation, an alternating proprietorship of not more than four such wineries, and that has been issued a wine-maker's license pursuant to NRS 369.200 may:

(a) Produce, bottle, blend and age wine.

(b) Import wine or juice from a winery that is located in another state and that is federally bonded and permitted by the Alcohol and Tobacco Tax and Trade Bureau, to be fermented into wine or, if already fermented, to be mixed with other wine or aged in a suitable cellar, or both.

2. A winery that has been issued a wine-maker's license pursuant to NRS 369.200 on or before September 30, 2015, may:

(a) Sell at retail or serve by the glass, on its premises and at one other location, wine produced, blended or aged by the winery. The amount of wine sold at a location other than on the premises of the winery may not exceed 50 percent of the total volume of the wine sold by the winery.

(b) Serve by the glass, on its premises, any alcoholic beverage.

(c) *Transfer in bulk wine produced, blended or aged by the winery to a person holding a valid license to operate an estate distillery issued pursuant to chapter 369 of NRS for the purpose of distillation and blending, which transfer is taxable only as provided in NRS 597.237.*

3. A winery that is issued a wine-maker's license pursuant to NRS 369.200 on or after October 1, 2015:

(a) If 25 percent or more of the wine produced, blended or aged by the winery is produced, blended or aged from fruit grown in this State, may ~~sell~~:

(1) *Sell* at retail or serve by the glass, on its premises, wine produced, blended or aged by the winery.

(2) *Transfer in bulk wine produced, blended or aged by the winery to a person holding a valid license to operate an estate distillery issued pursuant to chapter 369 of NRS for the purpose of*



*distillation and blending, which transfer is taxable only as provided in NRS 597.237.*

(b) If less than 25 percent of the wine produced, blended or aged by the winery is produced, blended or aged from fruit grown in this State, may sell at retail or serve by the glass, on its premises, not more than 1,000 cases of wine produced, blended or aged by the winery per calendar year.

4. The owner or operator of a winery shall not:

(a) Except as otherwise provided in paragraph (b) of subsection 2, sell alcoholic beverages on the premises of the winery other than wine produced, blended or aged by the winery.

(b) Produce, blend or age wine at any location other than on the premises of the winery.

5. The State Board of Agriculture may adopt regulations for the purposes of ensuring that a winery is in compliance with any requirements established by the Federal Government for labeling bottles of wine produced, blended or aged by the winery.

6. For the purposes of this section, an instructional wine-making facility is not a winery.

**Sec. 2.7.** NRS 597.240 is hereby amended to read as follows:

597.240 1. A winery that is federally bonded and permitted by the Alcohol and Tobacco Tax and Trade Bureau of the United States Department of the Treasury, including, without limitation, an alternating proprietorship of not more than four such wineries, and that has been issued a wine-maker's license pursuant to NRS 369.200 may:

(a) Produce, bottle, blend and age wine.

(b) Import wine or juice from a winery that is located in another state and that is federally bonded and permitted by the Alcohol and Tobacco Tax and Trade Bureau, to be fermented into wine or, if already fermented, to be mixed with other wine or aged in a suitable cellar, or both.

2. A winery that has been issued a wine-maker's license pursuant to NRS 369.200 on or before September 30, 2015, may:

(a) Within the limits prescribed by subsection 3, sell at retail or serve by the glass, on its premises and at one other location, wine produced, blended or aged by the winery. The amount of wine sold at a location other than on the premises of the winery may not exceed 50 percent of the total volume of the wine sold by the winery.

(b) Serve by the glass, on its premises, any alcoholic beverage.

3. A winery that is issued a wine-maker's license pursuant to NRS 369.200:





(a) If 25 percent or more of the wine produced, blended or aged by the winery is produced, blended or aged from fruit grown in this State, may ~~sell~~:

(1) *Sell* at retail or serve by the glass, on its premises and, if applicable, at one other location, wine produced, blended or aged by the winery.

(2) *Transfer in bulk wine produced, blended or aged by the winery to a person holding a valid license to operate an estate distillery issued pursuant to chapter 369 of NRS for the purpose of distillation and blending, which transfer is taxable only as provided in NRS 597.237.*

(b) If less than 25 percent of the wine produced, blended or aged by the winery is produced, blended or aged from fruit grown in this State, may sell at retail or serve by the glass, on its premises and, if applicable, at one other location, not more than 1,000 cases of wine produced, blended or aged by the winery per calendar year.

4. The owner or operator of a winery shall not:

(a) Except as otherwise provided in paragraph (b) of subsection 2, sell alcoholic beverages on the premises of the winery other than wine produced, blended or aged by the winery.

(b) Produce, blend or age wine at any location other than on the premises of the winery.

5. The State Board of Agriculture may adopt regulations for the purposes of ensuring that a winery is in compliance with any requirements established by the Federal Government for labeling bottles of wine produced, blended or aged by the winery.

6. For the purposes of this section, an instructional wine-making facility is not a winery.

**Sec. 3.** 1. This section and sections 1.5, 2 and 2.5 of this act become effective on July 1, 2019.

2. Sections 2.3 and 2.7 of this act become effective on October 1, 2025.

