

ASSEMBLY BILL NO. 375—ASSEMBLYMEN TITUS AND HAFEN

MARCH 22, 2021

JOINT SPONSORS: SENATORS GOICOECHEA AND SETTELMEYER

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions relating to alcoholic beverages.
(BDR 52-915)

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

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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 alcoholic beverages; revising provisions relating to the operation of craft distilleries, estate distilleries and wineries in this State; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law prohibits a winery from producing, blending or aging wine at any location other than on the premises of the winery. (NRS 597.240) **Section 3** of this bill authorizes, until September 30, 2025, a winery to: (1) also produce, bottle, blend and age wine on the premises of a non-contiguous location federally bonded and permitted by the Alcohol and Tobacco Tax and Trade Bureau of the United States Department of the Treasury or at a custom crush facility which operates under a wine-maker's license; and (2) store wine at a federally bonded wine storage facility.

Under existing law, if 25 percent or more of the wine produced, blended or aged by a winery issued a wine-maker's license on or after October 1, 2015, is produced, blended or aged from fruit grown in this State, the winery is authorized to: (1) engage in certain activities related to the sale or transfer of the wine produced, blended or aged by the winery; and (2) serve by the glass, on its premises, wine produced, blended or aged by the winery. (NRS 597.240) Under **section 3**, until September 30, 2025: (1) the authorization to engage in these activities would be extended to wineries at which 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 or honey produced in this State; and (2) a winery issued a wine-maker's license on or after October 1, 2015, would be authorized to serve by the glass, on its premises, any alcoholic beverage in addition to the wine produced, blended or aged by the winery, which is an activity authorized by existing law for wineries issued a wine-maker's license before October 1, 2015. (NRS 597.240)



Existing law authorizes the operation of a winery by an alternating proprietorship of not more than four wineries. (NRS 597.240) **Sections 1 and 2** of this bill authorize a person who operates a craft distillery or an estate distillery to operate as an alternating proprietorship with a licensed winery. **Section 3** of this bill authorizes a winery to operate as an alternating proprietorship with a licensed craft distillery or estate distillery.

Sections 3 and 4 authorize a winery to transport wine between two or more licensed and permitted wineries.

Existing law prohibits a winery for which 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 from selling at retail or serving by the glass more than 1,000 cases of wine per calendar year. (NRS 597.240) **Sections 3 and 4** increase this limit to not more than 2,000 cases per calendar year.

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

Section 1. NRS 597.235 is hereby amended to read as follows:
597.235 1. A person may operate a craft 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 a craft 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 craft distillery shall ensure that none of the spirits manufactured at the craft distillery are derived from neutral or distilled spirits manufactured by another manufacturer.

(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 10,000 cases of spirits at all the craft distilleries that the person operates 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 40,000 cases of spirits at all the craft distilleries the person operates.

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

(e) On the premises of the craft distillery, sell the spirits manufactured at the craft 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. Spirits purchased on the premises of a craft distillery must not be resold by the purchaser or any retail liquor store.

(f) Donate for charitable or nonprofit purposes and transport neutral or distilled spirits manufactured at the craft 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 craft 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

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

(h) Operate as an alternating proprietorship with a winery which has been issued a wine-maker's license pursuant to NRS 369.200.

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 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, except as authorized by paragraph (b).

(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 on or before September 30, 2015; or

(3) A winery that has been issued a wine-maker's license pursuant to NRS 369.200 on or after October 1, 2015, 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 (g) and (h), 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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 (c) or manufacturing for exportation for the purposes of paragraph (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), or from a wholesale dealer of alcoholic beverages who is licensed under chapter 369 of NRS and who is transferring such wine or malt beverages pursuant to NRS 597.230 or 597.240, 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.

(j) Operate as an alternating proprietorship with a winery which has been issued a wine-maker's license pursuant to NRS 369.200.

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. 3. 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 ~~[]~~ *on the premises of the winery, at a non-contiguous location which has been federally bonded and permitted by the Alcohol and Tobacco Tax and Trade Bureau or at a custom crush facility which operates under a wine-maker's license issued pursuant to NRS 369.200.*

(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.

(c) Transport wine between two or more wineries which have been issued a wine-maker's license pursuant to NRS 369.200 and which are federally bonded and permitted by the Alcohol and Tobacco Tax and Trade Bureau.

(d) Operate as an alternating proprietorship with a distillery which has been issued a craft distiller's license or an estate distiller's license pursuant to NRS 369.200.

(e) Store wine at a federally bonded wine storage facility.

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:

(1) To a person holding a valid wholesale wine and liquor dealer's license issued pursuant to chapter 369 of NRS for the purpose of transferring in bulk the wine to an estate distillery for the purpose of distillation and blending, which transfer is taxable only as provided in NRS 597.237; or

(2) If there is no wholesaler who is able or willing to accept and transfer in bulk the wine pursuant to subparagraph (1), 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 and must be performed in accordance with the terms and conditions of a special permit for the transportation of the wine obtained from the Department of Taxation pursuant to subsection 4 of NRS 369.450.

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 ~~or~~ *or honey produced in this State* may:

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

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

(3) Transfer in bulk wine produced, blended or aged by the winery:

(I) To a person holding a valid wholesale wine and liquor dealer's license issued pursuant to chapter 369 of NRS for the purpose of transferring in bulk the wine to an estate distillery for the purpose of distillation and blending, which transfer is taxable only as provided in NRS 597.237; or

(II) If there is no wholesaler who is able or willing to accept and transfer in bulk the wine pursuant to sub-subparagraph (I), 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~~ *2,000* 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.]~~ 5. For the purposes of this section, an instructional wine-making facility is not a winery.

Sec. 4. 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.

(c) Transport wine between two or more wineries which have been issued a wine-maker's license pursuant to NRS 369.200 and which are federally bonded and permitted by the Alcohol and Tobacco Tax and Trade Bureau.

(d) Operate as an alternating proprietorship with a distillery which has been issued a craft distiller's license or an estate distiller's license pursuant to NRS 369.200.

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:



(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:

(I) To a person holding a valid wholesale wine and liquor dealer's license issued pursuant to chapter 369 of NRS for the purpose of transferring in bulk the wine to an estate distillery for the purpose of distillation and blending, which transfer is taxable only as provided in NRS 597.237; or

(II) If there is no wholesaler who is able or willing to accept and transfer in bulk the wine pursuant to sub-subparagraph (I), 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]~~ 2,000 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.]~~ 5. For the purposes of this section, an instructional wine-making facility is not a winery.

Sec. 5. 1. This section and sections 1, 2 and 3 of this act become effective upon passage and approval.

2. Section 4 of this act becomes effective on October 1, 2025.

3. The amendatory provisions of section 3 of this act expire by limitation on September 30, 2025.

