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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 1827

02/28/2019 Authored by Nash, Tabke and Davnie
The bill was read for the first time and referred to the Committee on Commerce

1.1 A bill for an act
1.2 relating to liquor; modifying requirements for microdistilleries; authorizing certain
1.3 on-sale licenses; authorizing provision of liquor and tasting-related services;
1.4 appropriating money; amending Minnesota Statutes 2018, sections 340A.101,
1.5 subdivision 17a; 340A.22, subdivision 4; 340A.301, subdivision 9; 340A.404,
1.6 subdivision 10; 340A.418.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2018, section 340A.101, subdivision 17a, is amended to
1.9 read:

1.10 Subd. 17a. Microdistillery. "Microdistillery" is a distillery operated within the state
1.11 producing premium, distilled spirits in total quantity not to exceed 40,000 100,000 proof
1.12 gallons in a calendar year.

1.13 Sec. 2. Minnesota Statutes 2018, section 340A.22, subdivision 4, is amended to read:

1.14 Subd. 4. Off-sale license. A microdistillery producing 40,000 proof gallons or less of
1.15 distilled spirits in a calendar year may be issued a license by the local licensing authority
1.16 for off-sale of distilled spirits. The license may allow the sale of one 375 milliliter bottle
1.17 up to 18 liters per customer per day of product manufactured on site, subject to the following
1.18 requirements:

1.19 (1) off-sale hours of sale must conform to hours of sale for retail off-sale licensees in
1.20 the licensing municipality; and

1.21 (2) no brand may be sold at the microdistillery unless it is also available for distribution
1.22 by wholesalers.

2.1 Sec. 3. Minnesota Statutes 2018, section 340A.301, subdivision 9, is amended to read:

2.2 Subd. 9. **Permitted interests in wholesale business.** (a) A brewer may financially assist
2.3 a wholesaler of malt liquor through participation in a limited partnership in which the brewer
2.4 is the limited partner and the wholesaler is the general partner. A limited partnership
2.5 authorized in this paragraph may not exist for more than ten years from the date of its
2.6 creation, and may not, directly or indirectly, be recreated, renewed, or extended beyond that
2.7 date.

2.8 (b) A brewer may financially assist a malt liquor wholesaler and collateralize the financing
2.9 by taking a security interest in the inventory and assets, other than the corporate stock, of
2.10 the wholesaler. A financial agreement authorized by this paragraph may not be in effect for
2.11 more than ten years from the date of its creation and may not be directly or indirectly
2.12 extended or renewed.

2.13 (c) A brewer who, after creation of a financial agreement authorized by paragraph (b),
2.14 or after creation of a limited partnership authorized in paragraph (a), acquires legal or
2.15 equitable title to the wholesaler's business which was the subject of the agreement or limited
2.16 partnership, or to the business assets, must divest the business or its assets within two years
2.17 of the date of acquiring them. A malt liquor wholesaler whose business or assets are acquired
2.18 by a brewer as described in this paragraph may not enter into another such financial
2.19 agreement, or participate in another such limited partnership, for 20 years from the date of
2.20 the acquisition of the business or assets.

2.21 (d) A brewer may have an interest in the business, assets, or corporate stock of a malt
2.22 liquor wholesaler as a result of (1) a judgment against the wholesaler arising out of a default
2.23 by the wholesaler or (2) acquisition of title to the business, assets, or corporate stock as a
2.24 result of a written request of the wholesaler. A brewer may maintain ownership of or an
2.25 interest in the business, assets, or corporate stock under this paragraph for not more than
2.26 two years and only for the purpose of facilitating an orderly transfer of the business to an
2.27 owner not affiliated with the brewer.

2.28 (e) A brewer may continue to maintain an ownership interest in a malt liquor wholesaler
2.29 if it owned the interest on January 1, 1991.

2.30 (f) A brewer that was legally selling the brewer's own products at wholesale in Minnesota
2.31 on January 1, 1991, may continue to sell those products at wholesale in the area where it
2.32 was selling those products on that date.

2.33 (g) A brewer that manufactures no more than 20,000 barrels of malt liquor or its metric
2.34 equivalent in a calendar year may own or have an interest in a malt liquor wholesaler that

3.1 sells only the brewer's products, provided that a brewer that manufactures between 20,000
 3.2 and 25,000 barrels in any calendar year shall be permitted to continue to own or have an
 3.3 interest in a malt liquor wholesaler that sells only the brewer's products if: (1) that malt
 3.4 liquor wholesaler distributes no more than 20,000 barrels per calendar year; and (2) the
 3.5 brewer has not manufactured 25,000 barrels in any calendar year. Notwithstanding the
 3.6 foregoing, a brewer that manufactured between 20,000 and 25,000 barrels in 2012 shall be
 3.7 permitted to continue to own or have an interest in a malt liquor wholesaler that sells only
 3.8 the brewer's products until that brewer manufactures 25,000 barrels in a calendar year.

3.9 (h) When the commissioner issues a license to a malt liquor wholesaler described in
 3.10 paragraph (a) or (b), the commissioner may issue the license only to the entity which is
 3.11 actually operating the wholesale business and may not issue the license to a brewer that is
 3.12 a limited partner under paragraph (a) or providing financial assistance under paragraph (b)
 3.13 unless the brewer has acquired a wholesaler's business or assets under paragraph (c) or (d).

3.14 (i) For purposes of this subdivision and subdivision 8, paragraph (b), "brewer" means:

3.15 (1) a holder of a license to manufacture malt liquor;

3.16 (2) an officer, director, agent, or employee of such a license holder; and

3.17 (3) an affiliate of such a license holder, regardless of whether the affiliation is corporate
 3.18 or by management, direction, or control.

3.19 (j) A microdistillery that produces no more than 20,000 proof gallons of distilled spirits
 3.20 in a calendar year may own or have an interest in a wholesaler that sells only the
 3.21 microdistillery's products. The commissioner must establish a fee for licensing a
 3.22 microdistillery to self-distribute under this paragraph that adequately covers the cost of
 3.23 issuing the license and other administrative requirements. The fees must be deposited in an
 3.24 account in the special revenue fund and are appropriated to the commissioner for the purposes
 3.25 of this paragraph.

3.26 Sec. 4. Minnesota Statutes 2018, section 340A.404, subdivision 10, is amended to read:

3.27 Subd. 10. **Temporary on-sale licenses.** (a) The governing body of a municipality may
 3.28 issue to (1) a club or charitable, religious, or other nonprofit organization in existence for
 3.29 at least three years, (2) a political committee registered under section 10A.14, or (3) a state
 3.30 university, a temporary license for the on-sale of intoxicating liquor in connection with a
 3.31 social event within the municipality sponsored by the licensee. The license may authorize
 3.32 the on-sale of intoxicating liquor for not more than four consecutive days, and may authorize
 3.33 on-sales on premises other than premises the licensee owns or permanently occupies. The

4.1 license may provide that the licensee may contract for intoxicating liquor catering services
 4.2 with the holder of a full-year on-sale intoxicating liquor license issued by any municipality.
 4.3 The licenses are subject to the terms, including a license fee, imposed by the issuing
 4.4 municipality. Licenses issued under this subdivision are subject to all laws and ordinances
 4.5 governing the sale of intoxicating liquor except sections 340A.409 and 340A.504, subdivision
 4.6 3, paragraph (d), and those laws and ordinances which by their nature are not applicable.
 4.7 Licenses under this subdivision are not valid unless first approved by the commissioner of
 4.8 public safety.

4.9 (b) A county under this section may issue a temporary license only to a premises located
 4.10 in the unincorporated or unorganized territory of the county.

4.11 (c) The governing body of a municipality may issue to a brewer who manufactures fewer
 4.12 than 3,500 barrels of malt liquor in a year, a winery licensed under section 340A.301,
 4.13 subdivision 6, paragraph (b), a farm winery licensed under section 340A.315, or a
 4.14 microdistillery a temporary license for the on-sale of intoxicating liquor in connection with
 4.15 a social event within the municipality sponsored by the brewer, winery, farm winery, or
 4.16 microdistillery. The terms and conditions specified for temporary licenses under paragraph
 4.17 (a) shall apply to a license issued under this paragraph, except that the requirements of
 4.18 section 340A.409, subdivisions 1 to 3a, shall apply to the license.

4.19 Sec. 5. Minnesota Statutes 2018, section 340A.418, is amended to read:

4.20 **340A.418 ALCOHOLIC BEVERAGE TASTINGS.**

4.21 Subdivision 1. **Definition.** For purposes of this section, an "alcoholic beverage tasting"
 4.22 or "tasting" means an event at which persons pay a fee or donation to participate, and are
 4.23 allowed to consume wine, malt liquor, or both, by the glass without paying a separate charge
 4.24 for each glass.

4.25 Subd. 2. **Tastings authorized.** (a) A charitable, religious, or other nonprofit organization
 4.26 may conduct a tasting of not more than four hours duration on premises the organization
 4.27 owns or leases or has use donated to it, or on the licensed premises of a holder of an on-sale
 4.28 intoxicating liquor license that is not a temporary license, if the organization holds a
 4.29 temporary on-sale intoxicating liquor license under section 340A.404, subdivision 10, and
 4.30 complies with this section. An organization holding a temporary license may be assisted in
 4.31 conducting the tasting by another nonprofit organization.

4.32 (b) An organization that conducts a tasting under this section may use the net proceeds
 4.33 from the tasting only for:

5.1 (1) the organization's primary nonprofit purpose; or

5.2 (2) donation to another nonprofit organization assisting in the tasting, if the other
5.3 nonprofit organization uses the donation only for that organization's primary nonprofit
5.4 purpose.

5.5 (c) No wine or malt liquor at a tasting under this section may be sold, or orders taken,
5.6 for off-premises consumption.

5.7 ~~(d) Notwithstanding any other law, an organization may purchase or otherwise obtain~~
5.8 ~~wine or malt liquor for a tasting conducted under this section from a wholesaler licensed to~~
5.9 ~~sell wine or malt liquor, and the wholesaler may sell or give wine or malt liquor to an~~
5.10 ~~organization for a tasting conducted under this section and may provide personnel to assist~~
5.11 ~~in the tasting. A wholesaler who sells or gives wine or malt liquor to an organization for a~~
5.12 ~~tasting under this section must deliver the wine or malt liquor directly to the location where~~
5.13 ~~the tasting is conducted.~~

5.14 ~~(e)~~ (d) This section does not prohibit or restrict a tasting that is:

5.15 (1) located on on-sale premises where no charitable organization is participating; or

5.16 (2) located on on-sale premises where the proceeds are for a designated charity but where
5.17 the tasting is primarily for educational purposes.

5.18 ~~(f)~~ (e) The four-hour limitation specified in paragraph (a) shall not apply to a tasting at
5.19 a convention of fine wine, malt liquor, and gourmet food exhibitors, provided the convention
5.20 has at least 100 exhibitors and takes place over not more than three days.

5.21 **Subd. 3. Provision of liquor and tasting-related services.** (a) Notwithstanding any
5.22 law to the contrary, any licensed Minnesota brewer, winery, farm winery, or microdistillery
5.23 may sell or give liquor produced by the licensee to an organization for a tasting conducted
5.24 under this section and may provide personnel to assist in the tasting. A producer who sells
5.25 or gives liquor to an organization for a tasting under this section may deliver the liquor
5.26 directly to the location where the tasting is being conducted.

5.27 (b) Notwithstanding any other law, an organization may purchase or otherwise obtain
5.28 wine or malt liquor for a tasting conducted under this section from a wholesaler licensed to
5.29 sell wine or malt liquor, and the wholesaler may sell or give wine or malt liquor to an
5.30 organization for a tasting conducted under this section and may provide personnel to assist
5.31 in the tasting. A wholesaler who sells or gives wine or malt liquor to an organization for a
5.32 tasting under this section must deliver the wine or malt liquor directly to the location where
5.33 the tasting is conducted.

6.1 **EFFECTIVE DATE.** This section is effective July 1, 2019.