



INDUSTRY ADVISORY (UPDATE)

The Craft Distillers Act of 2015

Assembly Bill 2913, effective January 1, 2017, amended Business and Professions Code Sections 23502, 23504, 23506, and 23508. This updated advisory addresses those amendments. Except for specified amendments in this industry advisory, the information contained in the January 2016 industry advisory remains in effect.

Section 23502(a)(1) was amended to define the manufacture of distilled spirits. For purposes of Article 6, “manufacture” means the actual distillation of distilled spirits from naturally fermented materials or the re-distillation of distilled spirits obtained from another manufacturer of distilled spirits.

Section 23502(a)(2) was amended to allow the licensee to produce distilled spirits. For purposes of Article 6, “produce” means to mix, color, flavor, or blend distilled spirits, whether manufactured by the licensee or by another manufacturer of distilled spirits.

Section 23502(a)(3) was amended to allow the licensee to sell distilled spirits that were produced by the licensee.

Section 23502(a)(5) was added to allow the licensee to manufacture or produce up to 100,000 gallons of distilled spirits per fiscal year (July 1 through June 30), excluding brandy the craft distiller manufactures or has manufactured for the craft distiller pursuant to a brandy manufacturer license.

Section 23502(d) was amended to require the licensee to report the amount of distilled spirits produced by the licensee. The subsection also requires the licensee to report the amounts of distilled spirits the licensed craft distiller has manufactured itself, obtained from another manufacturer of distilled spirits, and imported. The subsection also establishes that a licensed craft distiller no longer qualifies to hold a craft distiller’s license if the licensee exceeds the 100,000 gallon manufacture or production limitation or actually manufactures less than 65 percent of the total volume of distilled spirits as specified in the section.

Section 23504 was amended to include distilled spirits that are produced by the licensee to be allowed to be sold to a consumer attending an instructional tasting conducted by the licensee on its licensed premises.

Section 23506 was amended to allow the licensee to continue to hold interest in retail licenses provided that the interest was held, or an application was pending, at a time when the licensee held a craft distiller's license pursuant to Section 23502 but is manufacturing or producing more than 100,000 gallons of distilled spirits or actually manufactured less than 65% of the total volume of distilled spirits and the license is converted to a distilled spirits manufacturer license (Type 04). Nothing in the subdivision is intended to prevent the department from denying a pending application for any reason other than the change in license type.

Section 23506(c) was removed and re-designated as Section 23508(b).

Section 23506(b) was re-designated as subsection (c).

Section 23771.5 of the Business and Professions Code was added as follows:

Section 23771 does not prevent a licensed craft distiller from holding a distilled spirits license authorizing the importing of distilled spirits, provided; however, that any distilled spirits imported by the licensee shall only be used by the licensee to manufacture or produce distilled spirits pursuant to Section 23502.