1 ENGROSSED HOUSE BILL NO. 3641 By: Dempsey, Humphrey and Strom 2 of the House 3 and Coleman of the Senate 4 5 6 7 [alcoholic beverages - providing that a holder of a 8 9 small farm winery, winemaker, or small brewer 10 license may serve free samples and sell other items 11 - allowing holders of a distiller's license to open 12 satellite locations - effective date] 1.3 14 15 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA: 16 A new section of law to be codified SECTION 1. NEW LAW 17 in the Oklahoma Statutes as Section 2-162 of Title 37A, unless there 18 is created a duplication in numbering, reads as follows: 19 A holder of a small farm winery, winemaker, or small brewer 20 license, which serves wine or beer for on-premises or off-premises 21 consumption, shall be allowed to serve free samples, or sell 22 Oklahoma-manufactured beer, wine, mulled wine, or spiced wine, mixed 23 with nonalcoholic beverages, or food items such as water, sugar, 24 fruits, and vegetables, at any temperature. Wine or beer produced

by a holder of a small farm winery, winemaker, or small brewer license may be served at any public events including, but not limited to, festivals, trade shows, boat shows, RV shows, home and garden shows, fairs, car shows, swap meets, city events, county events, or state events for either on-premises or off-premises consumption. This includes any public events that are held at premises which hold a retail beer license, retail spirits license, mixed beverage license, beer and wine license, caterer's license, special event license, public event license, winemaker license, charitable auction license, or brewpub license. At public events, the location within the event occupied by the small farm winery, winemaker, or small brewer licensee becomes a licensed premises and extension of the licensed small farm winery, winemaker, or small brewer. The licensee shall set up and define an area contiquous to its booth space as a serving area where the wine or beer is dispensed. The licensee may only serve the wine or beer in the serving area. In the event that multiple winemakers or brewers are at the same public event, they may combine their serving areas into one larger area as long as they are contiguous to the winemakers' or brewers' booths. A small farm winery, winemaker, or small brewer licensee shall not be required to secure or control the public event premises once the Oklahoma-manufactured beer, wine, mulled wine, or spiced wine, mixed with nonalcoholic beverages, or food items such

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- 1 as water, sugar, fruits, and vegetables, at any temperature, is 2 served.
- 3 SECTION 2. AMENDATORY 37A O.S. 2021, Section 1-103, is 4 amended to read as follows:
- Section 1-103. As used in the Oklahoma Alcoholic Beverage

 6 Control Act:
 - 1. "ABLE Commission" or "Commission" means the Alcoholic Beverage Laws Enforcement Commission;
 - 2. "Alcohol" means and includes hydrated oxide of ethyl, ethyl alcohol, ethanol or spirits of wine, from whatever source or by whatever process produced. It does not include wood alcohol or alcohol which has been denatured or produced as denatured in accordance with Acts of Congress and regulations promulgated thereunder;
 - 3. "Alcoholic beverage" means alcohol, spirits, beer and wine as those terms are defined herein and also includes every liquid or solid, patented or not, containing alcohol, spirits, wine or beer and capable of being consumed as a beverage by human beings;
 - 4. "Applicant" means any individual, legal or commercial business entity, or any individual involved in any legal or commercial business entity allowed to hold any license issued in accordance with the Oklahoma Alcoholic Beverage Control Act;
- 5. "Beer" means any beverage of alcohol by volume and obtained by the alcoholic fermentation of an infusion or decoction of barley,

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- or other grain, malt or similar products. "Beer" may or may not

 contain hops or other vegetable products. "Beer" includes, among

 other things, beer, ale, stout, lager beer, porter and other malt or

 brewed liquors, but does not include sake, known as Japanese rice

 wine;
 - 6. "Beer keg" means any brewer-sealed, single container that contains not less than four (4) gallons of beer;
 - 7. "Beer distributor" means and includes any person licensed to distribute beer for retail sale in the state, but does not include a holder of a small brewer self-distribution license or brewpub self-distribution license. The term "distributor", as used in the Oklahoma Alcoholic Beverage Control Act, shall be construed to refer to a beer distributor;
 - 8. "Bottle club" means any establishment in a county which has not authorized the retail sale of alcoholic beverages by the individual drink, which is required to be licensed to keep, mix and serve alcoholic beverages belonging to club members on club premises;
 - 9. "Bottle service" means the sale and provision of spirits in their original packages by a mixed beverage licensee to be consumed in that mixed beverage licensee's club suite;
 - 10. "Brand" means any word, name, group of letters, symbol or combination thereof, that is adopted and used by a licensed brewer

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to identify a specific beer, wine or spirit and to distinguish that product from another beer, wine or spirit;

11. "Brand extension" means:

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- a. after October 1, 2018, any brand of beer or cider introduced by a manufacturer in this state which either:
 - (1) incorporates all or a substantial part of the unique features of a preexisting brand of the same licensed brewer, or
 - (2) relies to a significant extent on the goodwill associated with the preexisting brand, or
- b. any brand of beer that a brewer, the majority of whose total volume of all brands of beer distributed in this state by such brewer on January 1, 2016, was distributed as low-point beer, desires to sell, introduces, begins selling or theretofore has sold and desires to continue selling a strong beer in this state which either:
 - (1) incorporates or incorporated all or a substantial part of the unique features of a preexisting low-point beer brand of the same licensed brewer, or
 - (2) relies or relied to a significant extent on the goodwill associated with a preexisting low-point beer brand;

- 12. "Brewer" means and includes any person who manufactures for human consumption by the use of raw materials or other ingredients any beer or cider upon which a license fee and a tax are imposed by any law of this state;
- 13. "Brewpub" means a licensed establishment operated on the premises of, or on premises located contiguous to, a small brewer, that prepares and serves food and beverages, including alcoholic beverages, for on-premises consumption;
- 14. "Cider" means any alcoholic beverage obtained by the alcoholic fermentation of fruit juice, including but not limited to flavored, sparkling or carbonated cider. For the purposes of the manufacture of this product, cider may be manufactured by either manufacturers or brewers. For the purposes of the distribution of this product, cider may be distributed by either wine and spirits wholesalers or beer distributors;
- 15. "Club suite" means a designated area within the premises of a mixed beverage licensee designed to provide an exclusive space which is limited to a patron or patrons specifically granted access by a mixed beverage licensee and is not accessible to other patrons of the mixed beverage licensee or the public. A club suite must have a clearly designated point of access for a patron or patrons specifically granted access by the mixed beverage licensee to ensure that persons present in the suite are limited to patrons

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- specifically granted access by the mixed beverage licensee and employees providing services to the club suite;
- 16. "Convenience store" means any person primarily engaged in retailing a limited range of general household items and groceries, with extended hours of operation, whether or not engaged in retail sales of automotive fuels in combination with such sales;
- 17. "Convicted" and "conviction" mean and include a finding of guilt resulting from a plea of guilty or nolo contendere, the decision of a court or magistrate or the verdict of a jury, irrespective of the pronouncement of judgment or the suspension thereof;
- 18. "Designated products" means the brands of wine or spirits offered for sale by a manufacturer that the manufacturer has assigned to a designated wholesaler for exclusive distribution;
- 19. "Designated wholesaler" means a wine and spirits wholesaler who has been selected by a manufacturer as a wholesaler appointed to distribute designated products;
 - 20. "Director" means the Director of the ABLE Commission;
- 21. "Distiller" means any person who produces spirits from any source or substance, or any person who brews or makes mash, wort or wash, fit for distillation or for the production of spirits (except a person making or using such material in the authorized production of wine or beer, or the production of vinegar by fermentation), or any person who by any process separates alcoholic spirits from any

- 1 fermented substance, or any person who, making or keeping mash, wort 2 or wash, has also in his or her possession or use a still;
 - 22. "Distributor agreement" means the written agreement between the distributor and brewer as set forth in Section 3-108 of this title;
 - 23. "Drug store" means a person primarily engaged in retailing prescription and nonprescription drugs and medicines;
 - 24. "Dual-strength beer" means a brand of beer that, immediately prior to April 15, 2017, was being sold and distributed in this state:
 - a. as a low-point beer pursuant to the Low-Point Beer
 Distribution Act in effect immediately prior to
 October 1, 2018, and
 - as strong beer pursuant to the Alcoholic Beverage
 Control Act in effect immediately prior to October 1,
 2018,
 - and continues to be sold and distributed as such on October 1, 2018. Dual-strength beer does not include a brand of beer that arose as a result of a brand extension as defined in this section;
 - 25. "Fair market value" means the value in the subject territory covered by the written agreement with the distributor or wholesaler that would be determined in an arm's length transaction entered into without duress or threat of termination of the

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distributor's or wholesaler's rights and shall include all elements of value, including goodwill and going-concern value;

26. "Good cause" means:

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- a. failure by the distributor to comply with the material and reasonable provisions of a written agreement or understanding with the brewer, or
- b. failure by the distributor to comply with the duty of good faith;
- 27. "Good faith" means the duty of each party to any distributor agreement and all officers, employees or agents thereof to act with honesty in fact and within reasonable standards of fair dealing in the trade;
- 28. "Grocery store" means a person primarily engaged in retailing a general line of food, such as canned or frozen foods, fresh fruits and vegetables, and fresh and prepared meats, fish and poultry;
- 29. "Hotel" or "motel" means an establishment which is licensed to sell alcoholic beverages by the individual drink and which contains guestroom accommodations with respect to which the predominant relationship existing between the occupants thereof and the owner or operator of the establishment is that of innkeeper and guest. For purposes of this section, the existence of other legal relationships as between some occupants and the owner or operator thereof shall be immaterial;

- 30. "Legal newspaper" means a newspaper meeting the requisites of a newspaper for publication of legal notices as prescribed in Sections 101 through 114 of Title 25 of the Oklahoma Statutes;
 - 31. "Licensee" means any person holding a license under the Oklahoma Alcoholic Beverage Control Act, and any agent, servant or employee of such licensee while in the performance of any act or duty in connection with the licensed business or on the licensed premises;
 - 32. "Low-point beer" shall mean any beverages containing more than one-half of one percent (1/2 of 1%) alcohol by volume, and not more than three and two-tenths percent (3.2%) alcohol by weight, including, but not limited to, beer or cereal malt beverages obtained by the alcoholic fermentation of an infusion by barley or other grain, malt or similar products;
 - 33. "Manufacturer" means a distiller, winemaker, rectifier or bottler of any alcoholic beverage (other than beer) and its subsidiaries, affiliates and parent companies;
 - 34. "Manufacturer's agent" means a salaried or commissioned salesperson who is the agent authorized to act on behalf of the manufacturer or nonresident seller in the state;
- 35. "Meals" means foods commonly ordered at lunch or dinner and at least part of which is cooked on the licensed premises and requires the use of dining implements for consumption. Provided,

- that the service of only food such as appetizers, sandwiches, salads or desserts shall not be considered "meals";
- 36. "Mini-bar" means a closed container, either refrigerated in whole or in part, or nonrefrigerated, and access to the interior of which is:
 - a. restricted by means of a locking device which requires the use of a key, magnetic card or similar device, or
 - b. controlled at all times by the licensee;
- 37. "Mixed beverage cooler" means any beverage, by whatever name designated, consisting of an alcoholic beverage and fruit or vegetable juice, fruit or vegetable flavorings, dairy products or carbonated water containing more than one-half of one percent (1/2 of 1%) of alcohol measured by volume but not more than seven percent (7%) alcohol by volume at sixty (60) degrees Fahrenheit and which is packaged in a container not larger than three hundred seventy-five (375) milliliters. Such term shall include but not be limited to the beverage popularly known as a "wine cooler";
- 38. "Mixed beverages" means one or more servings of a beverage composed in whole or part of an alcoholic beverage in a sealed or unsealed container of any legal size for consumption on the premises where served or sold by the holder of a mixed beverage, beer and wine, caterer, public event, charitable event or special event license;

- 39. "Motion picture theater" means an establishment which is licensed by Section 2-110 of this title to sell alcoholic beverages by the individual drink and where motion pictures are exhibited, and to which the general public is admitted;
- 40. "Nondesignated products" means the brands of wine or spirits offered for sale by a manufacturer that have not been assigned to a designated wholesaler;
- 41. "Nonresident seller" means any person licensed pursuant to Section 2-135 of this title;
- 42. "Retail salesperson" means a salesperson soliciting orders from and calling upon retail alcoholic beverage stores with regard to his or her product;
- 43. "Occupation" as used in connection with "occupation tax" means the sites occupied as the places of business of the manufacturers, brewers, wholesalers, beer distributors, retailers, mixed beverage licensees, on-premises beer and wine licensees, bottle clubs, caterers, public event and special event licensees;
- 44. "Original package" means any container of alcoholic beverage filled and stamped or sealed by the manufacturer or brewer;
- 45. "Package store" means any sole proprietor or partnership that qualifies to sell wine, beer and/or spirits for off-premises consumption and that is not a grocery store, convenience store or drug store, or other retail outlet that is not permitted to sell wine or beer for off-premises consumption;

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- 46. "Patron" means any person, customer or visitor who is not employed by a licensee or who is not a licensee;
- 47. "Person" means an individual, any type of partnership, corporation, association, limited liability company or any individual involved in the legal structure of any such business entity;
- 48. "Premises" means the grounds and all buildings and appurtenances pertaining to the grounds including any adjacent premises if under the direct or indirect control of the licensee and the rooms and equipment under the control of the licensee and used in connection with or in furtherance of the business covered by a license. Provided that the ABLE Commission shall have the authority to designate areas to be excluded from the licensed premises solely for the purpose of:
 - a. allowing the presence and consumption of alcoholic beverages by private parties which are closed to the general public, or
 - b. allowing the services of a caterer serving alcoholic beverages provided by a private party.

This exception shall in no way limit the licensee's concurrent responsibility for any violations of the Oklahoma Alcoholic Beverage Control Act occurring on the licensed premises;

49. "Private event" means a social gathering or event attended by invited guests who share a common cause, membership, business or

- task and have a prior established relationship. For purposes of this definition, advertisement for general public attendance or sales of tickets to the general public shall not constitute a private event;
 - 50. "Public event" means any event that can be attended by the general public;
 - 51. "Rectifier" means any person who rectifies, purifies or refines spirits or wines by any process (other than by original and continuous distillation, or original and continuous processing, from mash, wort, wash or other substance, through continuous closed vessels and pipes, until the production thereof is complete), and any person who, without rectifying, purifying or refining spirits, shall by mixing (except for immediate consumption on the premises where mixed) such spirits, wine or other liquor with any material, manufactures any spurious, imitation or compound liquors for sale, under the name of whiskey, brandy, rum, gin, wine, spirits, cordials or any other name;
 - 52. "Regulation" or "rule" means a formal rule of general application promulgated by the ABLE Commission as herein required;
 - 53. "Restaurant" means an establishment that is licensed to sell alcoholic beverages by the individual drink for on-premises consumption and where food is prepared and sold for immediate consumption on the premises;

- 1 54. "Retail container for spirits and wines" means an original package of any capacity approved by the United States Bureau of Alcohol, Tobacco and Firearms;
 - 55. "Retailer" means a package store, grocery store, convenience store or drug store licensed to sell alcoholic beverages for off-premises consumption pursuant to a Retail Spirits License, Retail Wine License or Retail Beer License;
 - 56. "Sale" means any transfer, exchange or barter in any manner or by any means whatsoever, and includes and means all sales made by any person, whether as principal, proprietor or as an agent, servant or employee. The term "sale" is also declared to be and include the use or consumption in this state of any alcoholic beverage obtained within or imported from without this state, upon which the excise tax levied by the Oklahoma Alcoholic Beverage Control Act has not been paid or exempted;
 - 57. "Short-order food" means food other than full meals including but not limited to sandwiches, soups and salads. Provided that popcorn, chips and other similar snack food shall not be considered "short-order food";
 - "Small brewer" means a brewer who manufactures less than 58. sixty-five thousand barrels of beer annually pursuant to a validly issued Small Brewer License hereunder;

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- 59. "Small farm wine" means a wine that is produced by a small farm winery with seventy-five percent (75%) or more Oklahoma-grown grapes, berries, other fruits, honey or vegetables;
- 60. "Small farm winery" means a wine-making establishment that does not annually produce for sale more than fifteen thousand (15,000) gallons of wine as reported on the United States Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau, Report of Wine Premises Operations (TTB Form 5120.17);
- 61. "Sparkling wine" means champagne or any artificially carbonated wine;
- 62. "Special event" means an entertainment, recreation or marketing event that occurs at a single location on an irregular basis and at which alcoholic beverages are sold;
- 63. "Spirits" means any beverage other than wine or beer, which contains more than one-half of one percent (1/2 of 1%) alcohol measured by volume, and obtained by distillation, whether or not mixed with other substances in solution and includes those products known as whiskey, brandy, rum, gin, vodka, liqueurs, cordials and fortified wines and similar compounds, but shall not include any alcohol liquid completely denatured in accordance with the Acts of Congress and regulations pursuant thereto;
- 64. "Strong beer" means beer which, prior to October 1, 2018, was distributed pursuant to the Oklahoma Alcoholic Beverage Control Act, Section 501 et seq. of Title 37 of the Oklahoma Statutes;

- 65. "Successor brewer" means a primary source of supply, a brewer, a cider manufacturer or an importer that acquires rights to a beer or cider brand from a predecessor brewer;
 - 66. "Tax Commission" means the Oklahoma Tax Commission;
- 67. "Territory" means a geographic region with a specified boundary;
- 68. "Wine and spirits wholesaler" or "wine and spirits distributor" means and includes any sole proprietorship or partnership licensed to distribute wine and spirits in the state. The term "wholesaler", as used in the Oklahoma Alcoholic Beverage Control Act, shall be construed to refer to a wine and spirits wholesaler;
- 69. "Wine" means and includes any beverage containing more than one-half of one percent (1/2 of 1%) alcohol by volume and not more than twenty-four percent (24%) alcohol by volume at sixty (60) degrees Fahrenheit obtained by the fermentation of the natural contents of fruits, vegetables, honey, milk or other products containing sugar, whether or not other ingredients are added, and includes vermouth and sake, known as Japanese rice wine;
- 70. "Winemaker" means and includes any person or establishment who manufactures for human consumption any wine upon which a license fee and a tax are imposed by any law of this state; and
- 71. "Satellite tasting room" means a licensed establishment operated off the licensed premises of the holder of a small farm

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- winery, or winemaker, or small brewer license, which serves wine or beer for on-premises or off-premises consumption.
- Words in the plural include the singular, and vice versa, and words imparting the masculine gender include the feminine, as well as persons and licensees as defined in this section.
- 6 SECTION 3. AMENDATORY 37A O.S. 2021, Section 2-103, is 7 amended to read as follows:
- 8 Section 2-103. A. A distiller license shall authorize the 9 holder thereof:
 - To manufacture, bottle, package and store spirits on licensed premises;
 - 2. To sell spirits in this state to licensed wholesalers and manufacturers only;
 - 3. To sell spirits out of this state to qualified persons $\frac{1}{2}$ to purchase from licensed distillers and rectifiers in this state, and import spirits from without this state for manufacturing purposes in accordance with federal laws and regulations;
 - 4. To serve free samples of spirits produced only by the licensee to visitors twenty-one (21) years of age and older. For purposes of this section, no visitor may sample more than a total of three (3) fluid ounces of spirits per day. The distiller shall restrict the distribution and consumption of spirits samples to an area within the licensed premises designated by the distiller. A current floor plan that includes the designated sampling area shall

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- be on file with the ABLE Commission. No visitor under twenty-one 1 (21) years of age shall be permitted to enter the designated sampling area when samples are being distributed and consumed. 3 Samples of spirits served by a distiller under this section shall 5 not be considered a sale of spirits within the meaning of Article XXVIII-A of the Oklahoma Constitution or Section 1-103 of this 7 title; provided, such samples of spirits shall be considered removed or withdrawn from the distillery for use or consumption within the 8 meaning of Section 5-110 of this title for excise tax determination 10 and reporting requirements;
 - 5. To sell spirits produced by the licensee for either onpremises or off-premises consumption to consumers on the licensed
 distillery premises or in an area controlled by the licensee located
 contiguous to the licensed distillery premises. Product offered for
 sale by the Oklahoma_licensed distiller will have been sold to and
 shipped to an Oklahoma_licensed wine and spirits wholesaler and then
 made available for purchase by the Oklahoma_licensed distiller for
 sale to sell; and
 - 6. To sell spirits at public events such as trade shows or festivals. Products offered for sale by the Oklahoma_licensed distiller will have been sold to and shipped to an Oklahoma_licensed wine and spirits wholesaler and then made available for purchase by the Oklahoma-licensed distiller; and

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- 1 7. To establish distiller's satellite locations, which shall be 2 considered extensions of the distiller's licensed premises, where the distiller's products may be tasted, sampled, and served for on-3 4 premises consumption and the holder of a distiller's license is permitted to sell the distiller's products in sealed containers, 5 provided that the distiller's license is active and in good standing 6 7 and the product offered for sale by the Oklahoma-licensed distiller will have first been sold to and shipped to an Oklahoma-licensed 9 wine and spirt wholesaler and then made available for purchase by 10 the Oklahoma-licensed distiller to sell. The spirits sold at a 11 satellite tasting room must have been produced and manufactured by 12 the holder of the distiller license.
 - B. Spirits sold pursuant to paragraphs 5 and, 6, and 7 of subsection A of this section shall not exceed fifteen thousand (15,000) gallons per calendar year in combination.
 - SECTION 4. AMENDATORY 37A O.S. 2021, Section 2-160, is amended to read as follows:

Section 2-160. A satellite tasting room license shall authorize the holder of a small farm winery license, or winemaker license, or small brewer license to operate no more than two satellite locations in addition to his or her their licensed premises for the purpose of providing tastings, samples and retail sales for on-premises or off-premises consumption to consumers over twenty-one (21) years of age; provided the wine or beer tasted, sampled or sold shall have been

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produced/manufactured by the holder of a small farm winery or, winemaker, or small brewer license and shall have all manufacturing taxes paid.

The holder of a small farm winery license or, winemaker license, or small brewer license must obtain approval for each satellite location from the city, town or municipality before submitting the application to the ABLE Commission. The fee for licensing each satellite location will be One Hundred Dollars (\$100.00) annually.

The small farm winery licensee or, winemaker licensee, or small brewer licensee operating a satellite tasting room must keep such license in good standing and is liable for any violation committed on the premises of its satellite tasting rooms. Employees and managers of the satellite tasting room must be trained in alcohol handling, laws and regulations and hold a current alcohol servers license and must be over twenty-one (21) years of age.

For purposes of this section, the term "tasting or tastings" means the serving of free samples of the winemaker's products not to exceed more than a total of six (6) fluid ounces of wine per person aged twenty-one (21) years or older per day, or the serving of the winemaker's products by individual drink purchased by the consumer for on-premises consumption, or the retail sale of the winemaker's products in sealed containers to an on-premises customer for off-premises consumption, or any combination thereof.

SECTION 5. This act shall become effective November 1, 2022.

1	Passed the House of Representatives the 23rd day of March, 2022.
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4	Presiding Officer of the House of Representatives
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6	Passed the Senate the day of, 2022.
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