1 STATE OF OKLAHOMA 2 1st Session of the 57th Legislature (2019) 3 SENATE BILL NO. 823 By: Bice 4 5 6 AS INTRODUCED 7 An Act relating to small farm wineries; amending Section 3, Chapter 366, O.S.L. 2016, as last amended 8 by Section 13, Chapter 304, O.S.L. 2018, Section 13, Chapter 366, O.S.L. 2016, as last amended by Section 9 2, Chapter 312, O.S.L. 2018 and Section 43, Chapter 366, O.S.L. 2016 (37A O.S. Supp. 2018, Sections 1-10 103, 2-101 and 2-131), which relate to definitions, license fees and small farm winery license; creating 11 an entry level small farm winery license; defining term; setting license amount; and providing an 12 effective date. 13 14 15 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA: 16 SECTION 1. AMENDATORY Section 3, Chapter 366, O.S.L. 17 2016, as last amended by Section 13, Chapter 304, O.S.L. 2018 (37A 18 O.S. Supp. 2018, Section 1-103), is amended to read as follows: 19 Section 1-103. As used in the Oklahoma Alcoholic Beverage 20 Control Act: 21 "ABLE Commission" or "Commission" means the Alcoholic 22 Beverage Laws Enforcement Commission; 23 2. "Alcohol" means and includes hydrated oxide of ethyl, ethyl 24 alcohol, ethanol or spirits of wine, from whatever source or by

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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, 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 manufacturer-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-

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distribution license. The term "distributor", as used in this 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. "Brand" means any word, name, group of letters, symbol or combination thereof, that is adopted and used by a licensed manufacturer to identify a specific beer and to distinguish that product from another beer;
 - 10. "Brand extension" means:

- a. after the effective date of this act, 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 manufacturer, or
 - (2) relies to a significant extent on the goodwill associated with the preexisting brand, or
- b. any brand of beer that a manufacturer, the majority of whose total volume of all brands of beer distributed in this state by such manufacturer 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 lowpoint beer brand of the same licensed manufacturer, or
- (2) relies or relied to a significant extent on the goodwill associated with a preexisting low-point beer brand;
- 11. "Brewer" means and includes any person who manufactures for human consumption by the use of raw materials or other ingredients any beer upon which a license fee and a tax are imposed by any law of this state;
- 12. "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;
- 13. "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 distribution of this product, cider may be distributed by either wine and spirits wholesalers or beer distributors;

14. "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;

- 15. "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:
 - 16. "Director" means the Director of the ABLE Commission;
- 17. "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 fermented substance, or any person who, making or keeping mash, wort or wash, has also in his or her possession or use a still;
- 18. "Distributor agreement" means the written agreement between the distributor and manufacturer as set forth in Section 3-108 of this title;
- 19. "Drug store" means a person primarily engaged in retailing prescription and nonprescription drugs and medicines;

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- 20. "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 the effective date of this act, and
 - b. as strong beer pursuant to the Alcoholic Beverage Control Act in effect immediately prior to the effective date of this act,

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;

- 21. "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 distributor's or wholesaler's rights and shall include all elements of value, including goodwill and going-concern value;
 - 22. "Good cause" means:
 - a. failure by the distributor to comply with the material and reasonable provisions of a written agreement or understanding with the manufacturer, or
 - b. failure by the distributor to comply with the duty of good faith;

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- 23. "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;
- 24. "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;
- 25. "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;
- 26. "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;
- 27. "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;

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- 28. "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;
- 29. "Manufacturer" means a brewer, distiller, winemaker, rectifier or bottler of any alcoholic beverage and its subsidiaries, affiliates and parent companies;
- 30. "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;
- 31. "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";
- 32. "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;

33. "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";

- 34. "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;
- 35. "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;
- 36. "Nonresident seller" means any person licensed pursuant to Section 2-135 of this title;
- 37. "Retail salesperson" means a salesperson soliciting orders from and calling upon retail alcoholic beverage stores with regard to his or her product;

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- 38. "Occupation" as used in connection with "occupation tax" means the sites occupied as the places of business of the manufacturers, wholesalers, beer distributors, retailers, mixed beverage licensees, on-premises beer and wine licensees, bottle clubs, caterers, public event and special event licensees;
- 39. "Original package" means any container of alcoholic beverage filled and stamped or sealed by the manufacturer;
- 40. "Package store" means any sole proprietor or partnership that qualifies to sell wine, beer and/or spirits for off-premise 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-premise consumption;
- 41. "Patron" means any person, customer or visitor who is not employed by a licensee or who is not a licensee;
- 42. "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;
- 43. "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;

- 44. "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;
- 45. "Public event" means any event that can be attended by the general public;
- 46. "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;

- 47. "Regulation" or "rule" means a formal rule of general application promulgated by the ABLE Commission as herein required;
- 48. "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;
- 49. "Retail container for spirits and wines" means an original package of any capacity approved by the United States Bureau of Alcohol, Tobacco and Firearms;
- 50. "Retailer" means a package store, grocery store, convenience store or drug store licensed to sell alcoholic beverages for off-premise consumption pursuant to a Retail Spirits License, Retail Wine License or Retail Beer License;
- 51. "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;

- 52. "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";
- 53. "Small brewer" means a brewer who manufactures less than twenty-five thousand (25,000) barrels of beer annually pursuant to a validly issued Small Brewer License hereunder;
- 54. "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;
- 55. "Small farm winery" or "entry level small farm winery"

 means a wine-making establishment that does not annually produce for sale more than five thousand (5,000) gallons for an entry level small farm winery and not more than fifteen thousand (15,000)

 gallons of wine for a small farm winery 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);
- 56. "Sparkling wine" means champagne or any artificially carbonated wine;
- 57. "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;

1 58. "Spirits" means any beverage other than wine or beer, which
2 contains more than one-half of one percent (1/2 of 1%) alcohol
3 measured by volume, and obtained by distillation, whether or not
4 mixed with other substances in solution and includes those products
5 known as whiskey, brandy, rum, gin, vodka, liqueurs, cordials and
6 fortified wines and similar compounds, but shall not include any
7 alcohol liquid completely denatured in accordance with the Acts of
8 Congress and regulations pursuant thereto;

- 59. "Strong beer" means beer which, prior to the effective date of this act, was distributed pursuant to the Oklahoma Alcoholic Beverage Control Act, Section 501 et seq. of Title 37 of the Oklahoma Statutes;
- 60. "Successor manufacturer" 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 manufacturer;
 - 61. "Tax Commission" means the Oklahoma Tax Commission;
- 62. "Territory" means a geographic region with a specified boundary;
- 63. "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 this act, shall be construed to refer to a wine and spirits wholesaler; and

64. "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.
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.
SECTION 2. AMENDATORY Section 13, Chapter 366, O.S.L.
2016, as last amended by Section 2, Chapter 312, O.S.L. 2018 (37A
O.S. Supp. 2018, Section 2-101), is amended to read as follows:
Section 2-101. A. Except as otherwise provided in this
section, the licenses issued by the ABLE Commission, and the annual
fees therefor, shall be as follows:
1. Brewer License\$1,250.00
2. Small Brewer License\$125.00
3. Distiller License\$3,125.00
4. Winemaker License\$625.00
5. Small Farm Winery License/Entry Level Small Farm Winery
<u>License</u> \$75.00
6. Rectifier License\$3,125.00
7. Wine and Spirits Wholesaler License\$3,000.00

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1	8.	Beer Distributor License\$750.00
2	9.	The following retail spirits license fees shall be
3	determin	ned by the latest Federal Decennial Census:
4		a. Retail Spirits License for cities and
5		towns from 200 to 2,500 population\$305.00
6		b. Retail Spirits License for cities and
7		towns from 2,501 to 5,000 population \$605.00
8		c. Retail Spirits License for cities and
9		towns over 5,000 population\$905.00
10	10.	Retail Wine License\$1,000.00
11	11.	Retail Beer License\$500.00
12	12.	Mixed Beverage License\$1,005.00
13		(initial license)
14		\$905.00
15		(renewal)
16	13.	Mixed Beverage/Caterer Combination License \$1,250.00
17	14.	On-Premises Beer and Wine License\$500.00
18		(initial license)
19		\$450.00
20		(renewal)
21	15.	Bottle Club License\$1,000.00
22		(initial license)
23		\$900.00
24		(renewal)
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1	16.	Caterer License\$1,005.00
2		(initial license)
3		\$905.00
4		(renewal)
5	17.	Annual Special Event License\$55.00
6	18.	Quarterly Special Event License\$55.00
7	19.	Hotel Beverage License\$1,005.00
8	19.	
9		(initial license)
10		\$905.00
11		(renewal)
	20.	Airline/Railroad Beverage License\$1,005.00
12		(initial license)
13		\$905.00
14		(renewal)
15	21.	Agent License\$55.00
16	22.	Employee License\$30.00
17	23.	Industrial License\$23.00
18	24.	Carrier License\$23.00
19	25.	Private Carrier License\$23.00
20	26.	Bonded Warehouse License\$190.00
21	27.	Storage License\$23.00
22	28.	Nonresident Seller License or Manufacturer's
23		License\$750.00
24	29.	Manufacturer's Agent License\$55.00

1	30. Sacramental Wine Supplier License\$100.00
2	31. Charitable Auction License\$1.00
3	32. Charitable Alcoholic Beverage License\$55.00
4	33. Winemaker Self-Distribution License \$750.00
5	34. Annual Public Event License\$1,005.00
6	35. One-Time Public Event License\$255.00
7	36. Small Brewer Self-Distribution License \$750.00
8	37. Brewpub License\$1,005.00
9	38. Brewpub Self-Distribution License
10	B. 1. There shall be added to the initial or renewal fees for
11	a Mixed Beverage License an administrative fee, which shall not be
12	deemed to be a license fee, in the amount of Five Hundred Dollars
13	($$500.00$), which shall be paid at the same time and in the same
14	manner as the license fees prescribed by paragraph 10 of subsection
15	A of this section; provided, this fee shall not be assessed against
16	service organizations or fraternal beneficiary societies which are
17	exempt under Section 501(c)(19), (8) or (10) of the Internal Revenue
18	Code.
19	2. There shall be added to the fee for a Mixed Beverage/Caterer
20	Combination License an administrative fee, which shall not be deemed
21	to be a license fee, in the amount of Two Hundred Fifty Dollars
22	($\$250.00$), which shall be paid at the same time and in the same
23	manner as the license fee prescribed by paragraph 11 of subsection A
24	of this section.

C. Notwithstanding the provisions of subsection A of this section:

- 1. The license fee for a mixed beverage or bottle club license for those service organizations or fraternal beneficiary societies which are exempt under Section 501(c)(19), (8) or (10) of the Internal Revenue Code shall be Five Hundred Dollars (\$500.00) per year; and
- 2. The renewal fee for an airline/railroad beverage license held by a railroad described in 49 U.S.C., Section 24301, shall be One Hundred Dollars (\$100.00).
- D. An applicant may apply for and receive both an on-premises beer and wine license and a caterer license.
- E. All licenses, except as otherwise provided, shall be valid for one (1) year from date of issuance unless revoked or surrendered. Provided, all employee licenses shall be valid for two (2) years.
- F. The holder of a license, issued by the ABLE Commission, for a bottle club located in a county of this state where the sale of alcoholic beverages by the individual drink for on-premises consumption has been authorized, may exchange the bottle club license for a mixed beverage license or an on-premises beer and wine license and operate the licensed premises as a mixed beverage establishment or an on-premises beer and wine establishment subject to the provisions of the Oklahoma Alcoholic Beverage Control Act.

1	There shall be no additional fee for such exchange and the mixed		
2	beverage	e license or on-premises beer and wine license issued shall	
3	expire	one (1) year from the date of issuance of the original bottle	
4	club license.		
5	G.	In addition to the applicable licensing fee, the following	
6	surchar	ge shall be assessed annually on the following licenses:	
7	1.	Nonresident Seller or Manufacturer License \$2,500.00	
8	2.	Wine and Spirits Wholesaler License\$2,500.00	
9	3.	Beer Distributor\$1,000.00	
1,0	4.	Retail Spirits License for cities and towns	
11		over 5,000 population\$250.00	
12	5.	Retail Spirits License for cities and towns	
13		from 2,501 to 5,000 population\$200.00	
14	6.	Retail Spirits License for cities and towns	
15		from 200 to 2,500 population\$150.00	
16	7.	Retail Wine License\$250.00	
17	8.	Retail Beer License\$250.00	
18	9.	Mixed Beverage License\$25.00	
19	10.	Mixed Beverage/Caterer Combination License \$25.00	
20	11.	Caterer License\$25.00	
21	12.	On-Premises Beer and Wine License\$25.00	
22	13.	Annual Public Event License\$25.00	
23	14.	Small Farm Winery License/Entry Level Small	
24		Farm Winery License\$25.00	

1 15. Small Brewer License......\$35.00 2 The surcharge shall be paid concurrent with the licensee's 3 annual licensing fee and, in addition to Five Dollars (\$5.00) of the 4 employee license fee, shall be deposited in the Alcoholic Beverage 5 Governance Revolving Fund established pursuant to Section 5-128 of 6 this title. 7 Any license issued by the ABLE Commission under this title 8 may be relied upon by other licensees as a valid license, and no 9 other licensee shall have any obligation to independently determine 10 the validity of such license or be held liable solely as a 11 consequence of another licensee's failure to maintain a valid 12 license. 13 SECTION 3. Section 43, Chapter 366, O.S.L. AMENDATORY 14 2016 (37A O.S. Supp. 2018, Section 2-131), is amended to read as 15 follows: 16 Section 2-131. A. A small farm winery license and an entry 17 level small farm license shall authorize the holder thereof: 18 To manufacture and bottle wines produced by that small farm 19 winery; and 20 To bottle and sell wines produced by another small farm 21 winery. In order for a small farm winery to bottle and sell another 22 small farm winery's products, both the selling winery and the buying 23 winery shall be small farm winery permit holders; and

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1	3. A small farm winery licensee and an entry level small farm
2	winery licensee shall have the same authority as a winemaker
3	license.
4	B. A small farm wine winery and an entry level small farm
5	winery may display the trademarked "Oklahoma Grown" sticker
6	available from the Oklahoma Grape Industry Council.
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8	SECTION 4. This act shall become effective November 1, 2019.
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