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**AB-1734 Alcoholic beverages: licensed premises: retail sales and consumption.** (2021-2022)

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**Assembly Bill No. 1734**

**CHAPTER 175**

An act to amend Section 25607 of the Business and Professions Code, relating to alcoholic beverages.

[ Approved by Governor August 26, 2022. Filed with Secretary of State August 26, 2022. ]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 1734, Bennett. Alcoholic beverages: licensed premises: retail sales and consumption.

The Alcoholic Beverage Control Act contains various provisions regulating the application for, the issuance of, the suspension of, and the conditions imposed upon alcoholic beverage licenses by the Department of Alcoholic Beverage Control. Existing law generally provides that a violation of the Alcoholic Beverage Control Act is a misdemeanor.

Existing law, with exceptions, prohibits a licensee from having, upon the licensed premises, any alcoholic beverages other than the alcoholic beverage that the licensee is authorized to sell at the premises under their license, and makes a violation of this prohibition punishable as a misdemeanor.

This bill would, as an exception to that prohibition, authorize the holder of a beer manufacturer's license and a winegrower's license that holds both of those licenses for a single premises to have alcoholic beverages that are authorized under those licenses at the same time anywhere within the premises and to maintain a designated area upon that premises where retail sales and consumption authorized under those licenses may occur, subject to specified conditions.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

**THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:**

**SECTION 1.** Section 25607 of the Business and Professions Code is amended to read:

**25607.** (a) Except as provided in subdivisions (b), (c), (d), (e), and (f), it is unlawful for any person or licensee to have upon any premises for which a license has been issued any alcoholic beverages other than the alcoholic beverage that the licensee is authorized to sell at the premises under their license. It shall be presumed that all alcoholic beverages found or located upon premises for which licenses have been issued belong to the person or persons to whom the licenses were issued. Any person who violates the provisions of this section is guilty of a misdemeanor. The department may seize any alcoholic beverages found in violation of this section.

(b) Except as provided in subdivision (c), a bona fide public eating place for which an on-sale beer and wine license has been issued may have upon the premises brandy, rum, or liqueurs for use solely for cooking purposes.

(c) (1) A licensed winegrower, licensed beer manufacturer that holds a small beer manufacturer's license, and a licensed craft distiller, in any combination, whose licensed premises of production are immediately adjacent to each other and that are not branch offices, may, with the approval of the department and under such conditions as the department may require, share a common licensed area in which the consumption of alcoholic beverages is permitted, only under all of the following circumstances:

(A) The shared common licensed area is adjacent and contiguous to the licensed premises of the licensees.

(B) The licensed premises of the licensees are not branch offices.

(C) The shared common licensed area shall be readily accessible from the premises of the licensees without the necessity of using a public street, alley, or sidewalk.

(D) Except as otherwise authorized by this division, the alcoholic beverages that may be consumed in the shared common licensed area shall be purchased by the consumer only from the licensed winegrower, the licensed beer manufacturer, or the licensed craft distiller.

(E) The licensed winegrower, the licensed beer manufacturer, and the licensed craft distiller shall be jointly responsible for compliance with the provisions of this division and for any violations that may occur within the shared common licensed area.

(2) Nothing in this subdivision is intended to authorize the licensed winegrower, the licensed beer manufacturer, or the licensed craft distiller to sell, furnish, give, or have upon their respective licensed premises any alcoholic beverages, or to engage in any other activity, not otherwise authorized by this division, including, without limitation, the consumption on the premises of any distilled spirits purchased by consumers for consumption off the premises pursuant to Section 23504 or the consumption of distilled spirits other than as permitted by Section 23363.1.

(d) The holder of a beer manufacturer's license, winegrower's license, brandy manufacturer's license, distilled spirits manufacturer's license, craft distiller's license, any rectifier's license, any importer's license, or any wholesaler's license, that holds more than one of those licenses for a single premises, may have alcoholic beverages that are authorized under those licenses at the same time anywhere within the premises for purposes of production and storage, if the holder of the licenses maintains records of production and storage that identify the specific location of each alcoholic beverage product within the premises. Nothing in this subdivision is intended to allow a licensee to hold licenses, alone or in combination, or to exercise any license privileges, not otherwise provided for or authorized by this division.

(e) Notwithstanding any provision to the contrary, a licensed manufacturer may share a common licensed area with multiple licensed retailers, subject to the provisions of this subdivision.

(1) No retail licensee sharing the common licensed area with a licensed manufacturer shall sell or serve any alcoholic beverages that are manufactured, produced, bottled, processed, imported, rectified, distributed, represented, or sold by the manufacturer, directly or indirectly. This prohibition shall apply to all licensed premises owned or operated, in whole or in part, by the retail licensee anywhere in the state. No wholesaler shall be responsible for compliance with this paragraph.

(2) The licensed manufacturer may, in connection with the operation of the shared common area only, advertise or promote the common licensed area, including, but not limited to, any advertising or promotion related to the licensed retailers sharing the common licensed area, provided that each retailer pays its pro rata share of the costs of that advertising or promotion. The cost attributed to each retailer's pro rata share shall not be less than the current market price for that advertising or promotion.

(3) The licensed manufacturer may, in connection with the operation of the shared common area only, pay its pro rata share of the cost of the operation of the shared common area, including, but not limited to, the cost of renting, utilities, or any other operating costs for the area.

(4) Except as provided in paragraphs (2) and (3), no other thing of value may be given or furnished by the manufacturer to the retailers.

(5) The manufacturer may have on the area of its licensed premises that encompass the shared common licensed area alcoholic beverages that would not otherwise be permitted on the manufacturer's licensed premises. This provision does not authorize the possession of alcoholic beverages not otherwise permitted on the manufacturer's licensed premises that is not part of the shared common licensed area.

(6) All retailers sharing the common licensed area shall hold the same license type. Nothing in this subdivision shall authorize any of the retailers to exercise license privileges that are not authorized by their license.

(7) All licensees holding licenses within the shared common licensed area shall be jointly responsible for compliance with all laws that may subject their license to discipline.

(8) A wholesaler does not directly or indirectly underwrite, share in, or contribute to any costs related to the common licensed area.

(9) The manufacturer maintains records necessary to establish its compliance with this section.

(10) (A) This subdivision does not authorize a licensed manufacturer to share a common licensed area with a single retailer or with multiple retailers under common ownership, in whole or in part.

(B) This subdivision is intended to be a narrow exception to the separation of manufacturers and retailers. This subdivision shall be narrowly construed.

(11) The Legislature finds and declares both of the following:

(A) It is necessary and proper to require a separation between manufacturing interests, wholesale interests, and retail interests in the production and distribution of alcoholic beverages in order to prevent suppliers from dominating local markets through vertical integration and to prevent excessive sales of alcoholic beverages produced by overly aggressive marketing techniques.

(B) Any exception established by the Legislature to the general prohibition against tied interests must be limited to the express terms of the exception so as to not undermine the general prohibitions.

(f) (1) Notwithstanding any provision to the contrary, the holder of a beer manufacturer's license and a winegrower's license that holds both of those licenses for a single premises may have alcoholic beverages that are authorized under those licenses at the same time anywhere within the premises and may maintain a designated area upon that premises where retail sales and consumption authorized under those licenses may occur.

(2) The privileges described in paragraph (1) may be exercised by the licensee only if all of the following apply:

(A) The licenses are held under identical ownership.

(B) The manufacturer's licenses for the single premises are either both master licenses or both branch offices, and not a combination of a master license and a branch office.

(C) For overlapping branch offices, only alcoholic beverages produced by the licensee are sold.

(3) Nothing in this subdivision is intended to allow a licensee to hold licenses, alone or in combination, or to exercise any license privileges, not otherwise provided for or authorized by this division.