



House of Representatives

General Assembly

File No. 420

February Session, 2016

Substitute House Bill No. 5580

House of Representatives, April 4, 2016

The Committee on Environment reported through REP. ALBIS of the 99th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ESTABLISHING A FARM BREWERY MANUFACTURER PERMIT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsections (f) and (g) of section 30-16 of the 2016
2 supplement to the general statutes are repealed and the following is
3 substituted in lieu thereof (*Effective from passage*):

4 (f) (1) A manufacturer permit for a farm brewery shall be in all
5 respects the same as a manufacturer permit, except that the scope of
6 operations of the holder shall be limited to beer. As used in this
7 section, "farm brewery" means any place or premises that is located on
8 a farm in the state in which beer is manufactured and sold.

9 (2) Such permit shall, at the single principal premises of the farm
10 brewery, authorize (A) the sale in bulk by the holder thereof from the
11 premises where the products are manufactured pursuant to such
12 permit; (B) as to a manufacturer who produces one hundred thousand
13 gallons of beer or less per year, the sale and shipment by the holder

14 thereof to a retailer of beer manufactured by the farm brewery
15 permittee in the original sealed containers; (C) the sale and shipment
16 by the holder thereof of beer manufactured by the farm brewery
17 permittee to persons outside the state; (D) the offering and tasting of
18 free samples of such beer, dispensed out of bottles or other sealed
19 containers to visitors and prospective retail customers for consumption
20 on the premises of the farm brewery permittee; (E) the sale at retail
21 from the premises of sealed bottles or other sealed containers of such
22 beer for consumption off the premises; (F) the sale at retail from the
23 premises of beer by the glass and bottle to visitors on the premises of
24 the farm brewery permittee for consumption on the premises; and (G)
25 subject to the provisions of subdivision (3) of this subsection, the sale
26 and delivery or shipment of beer manufactured by the permittee
27 directly to a consumer in this state. Notwithstanding the provisions of
28 subparagraphs (D), (E) and (F) of this subdivision, a town may, by
29 ordinance or zoning regulation, prohibit any such offering, tasting or
30 selling at retail at premises within such town for which a manufacturer
31 permit for a farm brewery has been issued.

32 (3) A permittee, when selling and shipping beer directly to a
33 consumer in this state, shall: (A) Ensure that the shipping labels on all
34 containers of beer shipped directly to a consumer in this state
35 conspicuously state the following: "CONTAINS ALCOHOL–
36 SIGNATURE OF A PERSON AGE 21 OR OLDER REQUIRED FOR
37 DELIVERY"; (B) obtain the signature of a person age twenty-one or
38 older at the address prior to delivery, after requiring the signer to
39 demonstrate that he or she is age twenty-one or older by providing a
40 valid motor vehicle operator's license or a valid identity card described
41 in section 1-1h; (C) not ship more than five gallons of beer in any two-
42 month period to any person in this state; (D) pay, to the Department of
43 Revenue Services, all sales taxes and alcoholic beverage taxes due
44 under chapters 219 and 220 on sales of beer to consumers in this state,
45 and file, with said department, all sales tax returns and alcoholic
46 beverage tax returns relating to such sales; (E) report to the
47 Department of Consumer Protection a separate and complete record of
48 all sales and shipments to consumers in the state, on a ledger sheet or

49 similar form that readily presents a chronological account of such
50 permittee's dealings with each such consumer; (F) not ship to any
51 address in the state where the sale of alcoholic liquor is prohibited by
52 local option pursuant to section 30-9; and (G) hold an in-state
53 transporter's permit pursuant to section 30-19f or make any such
54 shipment through the use of a person who holds such an in-state
55 transporter's permit.

56 (4) No licensed farm brewery may sell any such beer not
57 manufactured by such brewery.

58 (5) The farm brewery permittee shall grow on the premises of the
59 farm brewery or on property under the same ownership and control of
60 said permittee or leased by the backer of a farm brewery permit or by
61 said permittee within the farm brewery's principal state an average
62 annual crop equal to not less than twenty-five per cent of the hops and
63 barley used in the manufacture of the farm brewery permittee's beer
64 for the first year of issuance for any such permit and not less than fifty
65 per cent of the hops and barley used in the manufacture of the farm
66 brewery permittee's beer for the second and any subsequent year of
67 issuance for any such permit.

68 (6) A holder of a manufacturer permit for a farm brewery, when
69 advertising or offering beer for direct shipment to a consumer in this
70 state via the Internet or any other on-line computer network, shall
71 clearly and conspicuously state such liquor permit number in its
72 advertising.

73 (7) A holder of a manufacturer permit for a farm brewery may sell
74 beer manufactured from such brewery at a farmers' market, as defined
75 in section 22-6r, that is operated as a nonprofit enterprise or
76 association, provided such farmers' market invites such holder to sell
77 beer at such farmers' market and such holder has a farmers' market
78 beer sales permit issued by the Commissioner of Consumer Protection
79 in accordance with the provisions of subsection (a) of section 30-37r, as
80 amended by this act.

81 (8) The annual fee for a manufacturer permit for a farm brewery
82 shall be three hundred dollars.

83 ~~[(f)]~~ (g) A manufacturer permit for a brew pub shall allow: (1) The
84 manufacture, storage and bottling of beer, (2) the retail sale of alcoholic
85 liquor to be consumed on the premises with or without the sale of
86 food, (3) the selling at retail from the premises of sealed bottles or
87 other sealed containers of beer brewed on such premises for
88 consumption off the premises, and (4) the sale of sealed bottles or other
89 sealed containers of beer brewed on such premises to the holder of a
90 wholesaler permit issued pursuant to subsection (b) of section 30-17,
91 provided that the holder of a manufacturer permit for a brew pub
92 produces at least five thousand gallons of beer on the premises
93 annually. Such selling at retail from the premises of sealed bottles or
94 other sealed containers shall comply with the provisions of subsection
95 (d) of section 30-91 and shall permit not more than nine liters of beer to
96 be sold to any person on any day on which such sale is authorized
97 under the provisions of subsection (d) of section 30-91. The annual fee
98 for a manufacturer permit for a brew pub shall be three hundred
99 dollars.

100 ~~[(g)]~~ (h) A manufacturer permit for beer and brew pub shall be in all
101 respects the same as a manufacturer permit for beer, as defined in
102 subsection (b) of this section, and shall allow those additional
103 permissible uses specified in the manufacturer permit for a brew pub,
104 as defined in subsection ~~[(f)]~~ (g) of this section, provided the holder of
105 a manufacturer permit for beer and brew pub produces at least five
106 thousand gallons of beer on the premises annually. The annual fee for
107 a manufacturer permit for beer and brew pub shall be one thousand
108 five hundred dollars.

109 Sec. 2. Subsection (c) of section 30-37j of the general statutes is
110 repealed and the following is substituted in lieu thereof (*Effective from*
111 *passage*):

112 (c) Notwithstanding the provisions of subsection (a) of section 30-48,
113 a backer or holder of a caterer liquor permit may be a backer or holder

114 of any other permit issued under the provisions of this chapter,
115 including, but not limited to, a manufacturer permit for a brew pub
116 issued under subsection [(f)] (g) of section 30-16, as amended by this
117 act, or a manufacturer permit for beer and brew pub issued under
118 subsection [(g)] (h) of section 30-16, as amended by this act, except that
119 a backer or holder of a caterer liquor permit may not be a backer or
120 holder of any other manufacturer permit issued under section 30-16, as
121 amended by this act, or a wholesaler permit issued under section 30-
122 17.

123 Sec. 3. Section 30-37r of the 2016 supplement to the general statutes
124 is repealed and the following is substituted in lieu thereof (*Effective*
125 *from passage*):

126 (a) The Commissioner of Consumer Protection shall issue a farmers'
127 market beer sales permit to a holder of: (1) A manufacturer permit for
128 beer issued pursuant to subsection (b) of section 30-16, (2) a
129 manufacturer permit for a brew pub issued pursuant to subsection [(f)]
130 (g) of section 30-16, as amended by this act, [or] (3) a manufacturer
131 permit for beer and brew pub issued pursuant to subsection [(g)] (h) of
132 section 30-16, as amended by this act, or (4) a manufacturer permit for
133 a farm brewery issued pursuant to subsection (f) of section 30-16, as
134 amended by this act.

135 (b) A farmers' market beer sales permit shall authorize the sale of
136 beer manufactured by the holder of a permit specified in subdivision
137 (1), (2), [or] (3) or (4) of subsection (a) of this section for an unlimited
138 number of appearances at a farmers' market at not more than three
139 farmers' market locations per year, provided such permit holder: (1)
140 Has an invitation from such farmers' market to sell beer at such
141 farmers' market, (2) sells only sealed bottles of beer for off-premises
142 consumption at such farmers' market, (3) is present, or has an
143 authorized representative present, at the time of sale of any such beer
144 at such farmers' market, and (4) does not sell more than five liters of
145 such beer per day to any one person at such farmers' market. A
146 farmers' market beer sales permit shall be valid for a period of one year

147 from the date of issuance. The annual fee for a farmers' market beer
 148 sales permit shall be two hundred fifty dollars. There shall be a one-
 149 hundred-dollar nonrefundable filing fee for any such permit.

150 (c) Any town or municipality may, by ordinance or zoning
 151 regulation, prohibit the sale of beer by the holder of a farmers' market
 152 beer sales permit at a farmers' market held in such town or
 153 municipality.

154 Sec. 4. Subsection (a) of section 30-62c of the 2016 supplement to the
 155 general statutes is repealed and the following is substituted in lieu
 156 thereof (*Effective from passage*):

157 (a) The holder of an alcoholic liquor permit issued by the
 158 Department of Consumer Protection pursuant to subsections (b) to
 159 [(g)] (h), inclusive, of section 30-16, as amended by this act, or an agent
 160 of such permit holder, shall furnish potable water without charge to
 161 any person on the permit premises requesting such water or shall offer
 162 nonalcoholic beverages for sale to such person.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	30-16(f) and (g)
Sec. 2	<i>from passage</i>	30-37j(c)
Sec. 3	<i>from passage</i>	30-37r
Sec. 4	<i>from passage</i>	30-62c(a)

Statement of Legislative Commissioners:

In Section 1(f)(7), "30-37o" was changed to "30-37r" for accuracy.

ENV Joint Favorable Subst. -LCO

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 17 \$	FY 18 \$	FY 19 \$
Department of Revenue Services	GF - Revenue Gain	None	None	Potential Minimal
Consumer Protection, Dept.	GF - Revenue Gain	None	None	less than 1,200

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill may result in potential minimal revenue gain in sales tax and alcoholic beverages tax by creating a farm brewery manufacturing permit. The actual revenue gain is dependent upon (1) the number of establishments that would qualify for the permit and (2) the size of the establishment's production.

It is anticipated that any revenue gain would occur in the out years of FY 19 and beyond due to the nature of the cultivation of associated crops. The bill requires a farm to grow at least 25% of the hops and barley it uses in the manufacturing process within the first year of the issuance of the permit. However, such crops take multiple years to cultivate. Assuming no farms are currently producing at or near this level, there may be a lag in the time needed to meet the required production thresholds in the bill.

To the extent that farms are currently producing at or near this level, the timing of the fiscal impact may occur sooner than FY 19.

The impacts to the sales tax listed above would also result in

corresponding impacts to the Municipal Revenue Sharing Account and the Special Transportation Fund.¹

Additionally the bill results in a revenue gain beginning in FY 19 of less than \$1,200 based on the establishment of a farm brewery permit of \$300 and an estimated four initial permittees.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the number of permittees.

¹ PA 15-244, as amended by PA 15-5 JSS and PA 15-1 DSS, requires a monthly transfer of a portion of the sales tax generated into the Municipal Revenue Sharing Account and the Special Transportation Fund. The general sales and use tax rate, from which the diversion occurs, remains at 6.35%.

OLR Bill Analysis**sHB 5580*****AN ACT ESTABLISHING A FARM BREWERY MANUFACTURER PERMIT.*****SUMMARY:**

This bill establishes a farm brewery manufacturer permit, which allows for the manufacture, storage, bottling, and wholesale distribution and sale of beer manufactured on a farm.

Under the bill, permittees may sell their beer on-premises and, if they obtain the requisite farmers' market beer sales permit, at farmers' markets. Subject to certain conditions, they may sell and ship directly to retailers and consumers, including consumers in Connecticut. A permit also allows for the offering and tasting of free samples, and retail sales for both on- and off-premises consumption, though a municipality may prohibit the activity by local ordinance or regulation.

The bill requires permittees to grow a certain amount of the hops and barley they use in the beer manufacturing process. It sets the annual fee for a farm brewery manufacturer permit at \$300.

By law, the Department of Consumer Protection (DCP) issues liquor permits.

EFFECTIVE DATE: Upon passage

SCOPE OF A FARM BREWERY MANUFACTURER PERMIT***On-Premises Sales***

The bill specifies that a permittee must only sell the beer it manufactures. It allows the following to occur at the farm brewery's main premises:

1. bulk sales;

2. for manufacturers producing up to 100,000 gallons of beer per year, sales and shipments in original sealed containers to retailers;
3. sales and shipments to people in other states;
4. sales and shipments directly to Connecticut consumers (see below);
5. retail sales by the glass and bottle to visitors for on-premises consumption;
6. retail sales of sealed bottles or other sealed containers for off-premises consumption; and
7. offering and tasting of free samples, dispensed from bottles or other sealed containers to visitors and prospective consumers, for on-premises consumption.

But it allows municipalities, by ordinance or zoning regulation, to prohibit the above offerings, tastings, or retail sellings.

The bill also extends to farm brewery manufacturer permittees a requirement that they, or an agent, offer either (1) free potable water or (2) nonalcoholic beverages for sale. This requirement already applies to manufacturer permittees for beer, cider, apple brandy and eau-de-vie, farm wineries, brewpubs, and beer and brew pubs.

Direct Selling and Shipping to Connecticut Consumers

The bill allows a permittee to directly sell and ship up to five gallons of beer in any two-month period to consumers in Connecticut, but it sets requirements for doing so. Specifically, a permittee must:

1. hold an in-state transporter's permit or have someone with such a permit make shipments;
2. not ship to an address in a municipality that prohibits alcoholic liquor sales;

3. pay sales and alcoholic beverage taxes on the sales to, and file related tax returns with, the Department of Revenue Services;
4. report to DCP, using a ledger sheet or similar form that chronologically shows consumer sales, a complete record of all sales and shipments; and
5. clearly and conspicuously provide its liquor permit number in any online advertising or offering of beer for direct shipment.

Permittees must also have their shipping labels conspicuously state:

“CONTAINS ALCOHOL - SIGNATURE OF A PERSON
AGE 21 OR OLDER REQUIRED FOR DELIVERY.”

They must obtain the signature of someone at least 21 years of age at the delivery address before delivery occurs. Before signing, the signor must show that he or she is of the required age, either by providing a valid driver’s license or other identity card.

Farmers’ Market Sales

The bill allows a permittee to sell the beer it manufactures at a farmer’s market run by a nonprofit organization. To do so, the farmers’ market must have invited the permittee to sell its product there and the permittee must obtain a farmers’ market beer sales permit from DCP.

By law, a farmers’ market beer sales permit allows permittees to attend an unlimited number of appearances at a farmers’ market, at up to three farmers’ market locations each year. Permittees are capped at selling five liters of beer per person per day at a farmers’ market and they may only sell sealed bottles for off-premises consumption. The annual fee for this permit is \$250.

PRODUCT REQUIREMENT

Under the bill, in the first year of a permit’s issuance, a farm brewery manufacturer permittee must grow at least 25% of the hops and barley it uses in the manufacturing process. This amount increases

to at least 50% for each of the following years. The product must be grown on (1) the farm brewery's premises, (2) other property the permittee owns and controls, or (3) property leased by the permittee or the permittee's backer in the brewery's principal state (presumably Connecticut).

COMMITTEE ACTION

Environment Committee

Joint Favorable

Yea 29 Nay 0 (03/16/2016)