

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2321

Introduced by

Senators D. Larsen, O. Larsen, Meyer, K. Roers

Representatives Becker, Toman

1 A BILL for an Act to amend and reenact sections 5-01-14 and 5-01-21 of the North Dakota
2 Century Code, relating to microbrew pubs and brewer taprooms.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 5-01-14 of the North Dakota Century Code is amended
5 and reenacted as follows:

6 **5-01-14. Microbrew pubs - Licensing - Taxes.**

7 1. A microbrew pub shall obtain a brewer license and a retailer license as required under
8 this title. A microbrew pub may manufacture on the licensed premises, store, transport,
9 sell to wholesale malt beverage licensees, and export no more than ten thousand
10 barrels of malt beverages annually; sell malt beverages manufactured on the licensed
11 premises; ~~and sell alcoholic beverages regardless of source to consumers for~~
12 ~~consumption on the microbrew pub's licensed premises; and sell or direct ship malt~~
13 ~~beverages manufactured on the licensed premises to an individual in this state for~~
14 ~~consumption in accordance with section 5-01-16.~~ A microbrew pub may not engage in
15 any wholesaling activities. Except as provided in subsection 3, all sales and delivery of
16 malt beverages to any other retail licensed premises may be made only through a
17 wholesale malt beverage licensee. Beer manufactured on the licensed premises and
18 sold by a microbrew pub directly to the consumer for consumption on or off the
19 premises is subject to the taxes imposed pursuant to section 5-03-07, in addition to
20 any other taxes imposed on brewers and retailers. A microbrew pub is required to file a
21 monthly sales report with the tax commissioner by the fifteenth day of the month
22 following the month in which the sales are made. The report must be prepared and
23 submitted in a form and manner as prescribed by the tax commissioner. A microbrew
24 pub is not precluded from retailing beer it purchases from a wholesaler.

Complimentary samples of beer may not be in an amount exceeding sixteen ounces
[.47 liter] per patron. ~~Licenses under this section entitle the microbrew pub to sell beer
manufactured on the premises for off-premises consumption, in brewery-sealed
containers of not more than three gallons [11.36 liters]. A licensee may not sell beer to
any person for off-premises consumption more than two hundred eighty-eight ounces
[8.51 liters] of beer per day, if sold in any size a brewery-sealed container of not more
than three gallons [11.36 liters] and the total amount sold does not exceed five and
sixteen hundredths gallons [19.53 liters] per day.~~ This section may not be superseded
under chapters 11-09.1 and 40-05.1.

2. The tax commissioner may issue a special event permit for not more than ~~twenty~~forty
days per calendar year to a microbrew licensee which allows the licensee to give free
samples of beer manufactured by the licensee, sell beer manufactured by the glass or
in closed containers, or dispense beer manufactured by the licensee at a designated
trade show, convention, festival, fundraiser, or other related special event hosted by a
nonprofit organization unaffiliated with the licensee, or a similar event approved by the
tax commissioner. This subsection is subject to local ordinances.

3. A microbrew pub may transfer beer in bulk, as defined by section 5-01-01,
manufactured by the microbrew pub to an affiliated microbrew pub licensee. For
purposes of this subsection, "affiliated microbrew pub licensee" means a microbrew
pub of which at least an eighty-five percent interest is owned by the microbrew pub
measured annually and:

- a. The microbrew pub does not own more than three affiliated microbrew pub
licensees;
- b. The microbrew pub licensee receiving the beer in bulk has produced no less than
five thousand gallons [18927.06 liters] of beer on the premises in the preceding
calendar year. For the purpose of calculating the production requirements, the
production must be prorated based on the number of days beer was produced;
- c. The beer in bulk transferred in any calendar year constitutes no more than fifty
percent of the beer being produced by the microbrew pub licensee receiving the
beer; and

d. For purposes of determining whether the ten thousand barrel production limit under subsection 1 is being exceeded, the beer being transferred is credited to the microbrew pub that manufactured the beer.

4. A contractee brewer may contract with a contractor brewer to produce beer for the contractee brewer to the extent allowed by federal law under the following conditions:

a. The contractee brewer and the contractor brewer must be licensed and owned separately;

b. The contractee brewer must have a proper license issued under this section and maintain a physical brewing presence in the state;

c. Beer brewed for a contractee brewer counts toward the contractee brewer's annual barrels produced, and the beer does not count toward the contractor brewer's annual barrels produced;

d. The contractee brewer retains ownership of the product; and

e. Each brewer is separately and distinctly responsible for compliance with this chapter.

SECTION 2. AMENDMENT. Section 5-01-21 of the North Dakota Century Code is amended and reenacted as follows:

5-01-21. Brewer taproom license.

1. The tax commissioner may issue multiple brewer taproom licenses to the owner or operator of a brewery producing no more than twenty-five thousand barrels of malt beverages annually. A brewer with multiple taproom licenses must produce malt beverages at each location and the total amount of malt beverages produced at all locations combined may not exceed twenty-five thousand barrels of malt beverages annually. Each brewer taproom license may be issued and renewed for an annual fee of five hundred dollars, which is in lieu of all other state license fees required by this title. All provisions of this chapter which apply to a retail license must apply to a license issued under this section unless the provision is explicitly inconsistent with this section.

2. A brewer holding a brewer taproom license may:

a. Manufacture on the licensed premises, store, transport, sell, and export no more than twenty-five thousand barrels of malt beverages annually.

- 1 b. Sell malt beverages manufactured on the licensed premises or through a contract
2 for consumption on the premises of the brewery or a restaurant owned by the
3 licensee and located on property contiguous to the brewery.
- 4 c. Sell beer manufactured on the licensed premises or through a contract for off
5 premises consumption in brewery-sealed containers of ~~not less than twelve~~
6 ~~ounces [.36 liters]~~ and not more than 5.16 gallons [19.53 liters].
- 7 d. Sell and deliver beer produced by the brewery to licensed beer wholesalers.
- 8 e. Dispense free samples of beer offered for sale. Complimentary samples of beer
9 may not be in an amount exceeding sixteen ounces [.47 liter] per patron.
- 10 f. Sell and deliver beer produced by the brewery to licensed retailers within the
11 state, but only if:
- 12 (1) The brewer uses the brewer's own equipment, trucks, and employees to
13 deliver the beer;
- 14 (2) Individual deliveries, other than draft beer, are limited to the case equivalent
15 of eight barrels per day to each licensed retailer;
- 16 (3) The total amount of beer sold or delivered directly to all retailers does not
17 exceed ten thousand barrels per year; and
- 18 (4) A common carrier is not used to ship or deliver the brewery's product to the
19 public or to licensed retailers. All other sales and deliveries of beer to
20 licensed retailers in this state may be made only through a wholesaler
21 licensed in this state.
- 22 g. Sell or direct ship beer produced by the brewery to an individual in this state for
23 consumption in accordance with section 5-01-16.
- 24 3. The tax commissioner may issue special event permits for not more than ~~twenty~~forty
25 days per calendar year to a brewer taproom licensee allowing the licensee, subject to
26 local ordinance, to give free samples of its beer, sell its beer by the glass or in closed
27 containers, or dispense beer manufactured by the licensee at a designated trade
28 show, convention, festival, fundraiser or other related special event hosted by a
29 nonprofit organization unaffiliated with the brewer taproom licensee, or a similar event
30 approved by the tax commissioner.

- 1 4. For any month in which a brewery has made sales to a wholesaler licensed in this
2 state, that brewery shall file a report with the tax commissioner no later than the last
3 day of each calendar month reporting sales made during the preceding calendar
4 month. When the last day of the calendar month falls on a Saturday, Sunday, or legal
5 holiday, the due date is the first working day after that day.
- 6 5. A brewer taproom licensee is subject to section 5-03-06 and shall report and pay
7 annually to the tax commissioner the wholesaler taxes due on all beer sold by the
8 licensee at retail or to a retail licensee, including all beer sold directly to consumers as
9 set forth in sections 5-03-07 and 57-39.6-02. The annual wholesaler tax reports are
10 due January fifteenth of the year following the year sales were made. When the
11 fifteenth of January falls on a Saturday, Sunday, or legal holiday, the due date is the
12 first working day after that day. The report must provide the detail and be in a format
13 as prescribed by the tax commissioner. The tax commissioner may require the report
14 be submitted in an electronic format approved by the tax commissioner.
- 15 6. A brewer may have multiple taproom licenses, but may not have an ownership interest
16 in whole or in part, or be an officer, director, agent, or employee of any other
17 manufacturer, brewer, importer, wholesaler, or retailer, or be an affiliate thereof,
18 whether the affiliation is corporate or by management, direction, or control. A brewer
19 may transfer beer in bulk, as defined by section 5-01-01, manufactured by the brewer
20 to an affiliated brewer. For the purposes of this subsection, an "affiliated brewer
21 taproom" means a licensed brewer taproom of which at least an eighty-five percent
22 interest is owned by the brewer taproom, measured annually and:
 - 23 a. The brewer does not own more than three affiliated brewer taprooms;
 - 24 b. The licensed brewer taproom receiving the beer in bulk has produced no less
25 than five thousand gallons [18927.06 liters] of beer on the premises in the
26 preceding calendar year. For the purpose of calculating the production
27 requirements, the production must be prorated based on the number of days
28 beer was produced;
 - 29 c. The beer in bulk transferred in any calendar year constitutes no more than fifty
30 percent of the beer being produced by the licensed brewer taproom receiving the
31 beer; and

d. For purposes of determining whether the twenty-five thousand barrel production limit under subsections 1 and 2 is being exceeded, the beer being transferred is credited to the brewer that manufactured the beer.

7. A contractee brewer may contract with a contractor brewer to produce beer for the contractee brewer to the extent allowed by federal law under the following conditions:

a. The contractee brewer and the contractor brewer must be licensed and owned separately;

b. The contractee brewer must have a proper license issued under this section and maintain a physical presence in the state;

c. Beer brewed for a contractee brewer counts toward the contractee brewer's annual barrels produced, and the beer does not count toward the contractor brewer's annual barrels produced;

d. The contractee brewer retains ownership of product produced by a contractor brewer; and

e. Each brewer is separately and distinctly responsible for compliance with this chapter.