



What's Brewing - 2018 Changes to North Carolina ABC Laws

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The North Carolina General Assembly ratified House Bill 500, ABC Omnibus Legislation, and the bill has been presented to the Governor for signature.

The legislation makes various changes to North Carolina ABC laws, which affect suppliers, wholesalers and retailers, as summarized below. These changes are effective upon signature by the Governor. A link to the full bill as ratified can be found [here](#).

Wholesaler Transfers to Family Members

The bill changes the statute on transfer of a wholesaler's business to allow the transfer of a wholesaler's business to a designated family member, including nieces and nephews. Such transfer does not have to be upon the death of a person holding an ownership interest in a wholesaler, as was previously required by statute.

Wholesaler Transfers and Supplier Consents

In wholesaler transfer or merger situations, a supplier has the statutory right to match and reassign to another wholesaler designee the right to purchase the distribution rights of the supplier on the same conditions as the proposed wholesaler transferee, if the supplier did not consent to a proposed wholesaler transfer or merger. Prior statutory language provided that nothing could "interfere with a supplier's right" to reassign the distribution interest. New statutory language in this bill eliminates the "interfere" language and provides that nothing in the statute "shall authorize a supplier" to match and reassign the interest. This suggests the supplier's right to reassign the distribution interest is not absolute. The new statutory language also limits a supplier's right to match and reassign the distribution interest only to situations where the total annual gross sales of the supplier's malt beverages sold by the selling wholesaler total no more than five percent (5%) of the selling wholesaler's total annual gross sales of wine and malt beverages in dollars.

Supplier's Financial Interest in Wholesaler

G.S. 18B-1119 previously authorized a supplier to have a financial interest in a wholesaler in certain situations, including financially assisting a proposed purchaser in acquiring ownership of a wholesaler's business by participation in a limited partnership interest for a limited period of time or by making a business loan. The bill eliminates this language, providing that a supplier may not acquire, possess, or otherwise maintain an ownership interest in a wholesaler except as expressly provided in the ABC laws by statute. This closes what some saw to be a loophole allowing a supplier to have an ownership interest in a separate wholesaler entity. G.S. 18B-1119 continues to allow a supplier to have a security interest in the inventory or property of its wholesaler to secure payment.

Quality Control Tastings

The bill authorizes employees of commercial permittees to sample products for quality control purposes at the permittee's premises, special one-time events, and other special events. Previously, the law prohibited quality control sampling, other than at the permittee's licensed premises.

Distiller Representatives and Destruction of Damaged Alcoholic Beverages

The bill clarifies that a distiller representative's presence is not required to destroy damaged or distressed alcoholic beverages. The bill requires the NC ABC Commission to adopt rules to this effect.

Placement of Mixed Beverage Tax Stamps

The bill authorizes the placement of mixed beverage tax stamps on any vertical portion of a spirituous liquor bottle, rather than on the original paper labeling. The bill requires the NC ABC Commission to adopt rules to this effect.

Retail Permitting – New “Sports and Entertainment Venue” Permit and Clarification of Permits for Golf Courses and Sports Clubs

The bill authorizes a new retail ABC permit for “sports and entertainment venues” which allows a facility with a permanent seating capacity of 3,000 or more, not located on the campus of a school, college, or university, to obtain retail permits covering the entire facility. A sports and entertainment venue is also eligible for a mixed beverages permit. This will make it easier for consumers to purchase, consume, and walk around with alcoholic beverages throughout a sporting and entertainment facility.

The bill also clarifies that a “restaurant” can be located on an 18-hole golf course, and the premises shall include the parking lot, playing area, teeing areas, greens, fairways, roughs, hazards, and cart paths.

The bill clarifies that a “sports club” premises also includes these areas.

Raffles and Nonprofits

The bill revises the definition of “nonprofit organization” to include bona fide branches, chapters, or affiliates of the nonprofit organization.

A regional or county chapter of a nonprofit organization is also eligible to conduct raffles independently of its parent organization.

A nonprofit can now hold four raffles per year, an increase from the two raffles previously allowed.

Cash prizes from raffles increased to \$250,000 per year, up from \$125,000. The maximum prize for any one raffle remains at \$125,000.

Simplification of Permit Process for Nonprofit Special One Time Events and Limited Special Occasion Permits; Alcoholic Beverages May Be Ruffled at Auction

The bill simplifies the permit process for nonprofit special one-time events. If a nonprofit has obtained a special one-time permit within the last 18 months, the NC ABC Commission shall reissue the special one-time permit if the same individual requests it. The reissuance does not require additional local government approval or documentation. The NC ABC Commission and ALE shall not investigate the applicant and premises for which the reissuance is requested more than once every three years. Permit duration and issuance fees remain the same. Knowingly making false statements on an application for permit reissuance is grounds for denying, suspending and revoking permits, and is a Class 1 misdemeanor.

The bill also clarifies that a nonprofit organization can offer alcoholic beverages in the manufacturer’s original closed container as a prize in a raffle, or sell alcoholic beverages in the manufacturer’s original closed container at auction to allow the nonprofit to raise funds.

Allow Branded Merchandise at Alcoholic Beverage Tastings

The bill allows wineries, breweries, and distilleries to sell branded merchandise such as glassware, cups, signs, t-shirts, hats, and other apparel to consumers at consumer tastings.

Related People

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