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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair  
2025 - 2026 Regular Session

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### AB 1246 (Hoover) - Alcoholic beverages: distilled spirits

**Version:** June 30, 2025

**Urgency:** No

**Hearing Date:** August 18, 2025

**Policy Vote:** G.O. 15 - 0

**Mandate:** No

**Consultant:** Janelle Miyashiro

**Bill Summary:** AB 1246 authorizes craft distillers and winegrowers to possess and transport brandy for storing and aging on a winegrower's premises and increases, from 2.25 liters to 4.5 liters, the cap on the amount of distilled spirits that a craft distiller can sell per day per consumer at their premises. AB 1246 also extends, from January 1, 2026 to January 1, 2027, the sunset date for the authorization for craft distillers to ship spirits directly to consumers from their licensed premises.

**Fiscal Impact:** The Department of Alcoholic Beverage Control (ABC) reports:

- Unknown administrative and legal costs, likely ranging in the hundreds of thousands of dollars, to address litigation related to the extension of the craft distiller direct-to-consumer shipping law (Alcohol Beverage Control Fund). The department notes it is currently being sued over this section of law.
- Unknown, likely absorbable workload for increased enforcement related investigations as a result of doubling the cap on the amount of spirits craft distillers may sell per day per consumer.

**Background:** *Granholm v Heald*, 544 U.S. 460 (2005) and *Pending Lawsuit*. In the 2005 *Granholm v Heald* case, the Supreme Court of the United States ruled that laws in New York and Michigan that permitted in-state wineries to ship wine directly to consumers but prohibited out-of-state wineries from doing so were unconstitutional. The court case, which was a consolidation of two separate lawsuits against Michigan and New York, pitted the Dormant Commerce Clause against the 21st Amendment.

Michigan and New York alcohol laws allowed in-state wineries to directly ship alcohol to consumers but prohibited such activity from out-of-state wineries. Plaintiffs argued that these laws violated the U.S. Constitution's Dormant Commerce Clause, which over the years has been interpreted to mean that states are prohibited from passing laws favoring in-state businesses over out-of-state businesses. On the other hand, the defendants argued that their laws were a valid exercise of state power under the 21st Amendment, which ended federal prohibition and allowed states to regulate alcohol importation. One of the state's justifications was that by regulating out-of-state wineries, the state might be able to hinder the shipment of alcohol to underage minors, which they believe served a valid state purpose.

After making its way through the courts, the two separate cases were ultimately decided by the U.S. Supreme Court. In a 5-4 opinion delivered by Justice Anthony Kennedy, the Court opined that both state's laws violated the commerce clause by favoring in-state wineries at the expense of out-of-state wineries. In essence, the case held that states have the burden to show that restrictions on out-of-state businesses that do not also

apply to in-state businesses, need to be supported by a justifiable need to advance public health and safety, or for some other legitimate, non-discriminatory, reason. Prior to this decision, it was widely assumed that in-state manufacturers could be given more privileges compared to out-of-state manufacturers. Following the *Granholt v Heald* case, out-of-state manufacturers must generally be given the same privileges as in-state manufacturers.

On December 26, 2024, the East Tennessee Distillery brought forth a lawsuit against the State of California in a U.S. District Court arguing that California's one year extension that allows in-state craft distillers to ship distilled spirits directly to consumers in California is a violation of the Commerce Clause of the United States since it does not reciprocally allow out of state distillers to ship distilled spirits to consumers in California. This argument is nearly identical to the initial argument put forth in the *Granholt* case.

Since the complaint was filed there's been no substantive progress. The case is still awaiting formal responsive filings from California's Attorney General or the Department of ABC.

**Proposed Law:**

- Authorizes a craft distiller to transport brandy to or from the premises of a licensed winegrower for the purpose of storing the brandy to age on the winegrower's premises. Clarifies a winegrower is authorized to possess and transport brandy for the purpose of storing the brandy to age on the winegrower's premises.
- Increases, from 2.25 liters to 4.5 liters, the cap on the amount of distilled spirits that a craft distiller can sell per day per consumer at their premises.
- Extends, from January 1, 2026 to January 1, 2027, the sunset date on the authorization for craft distillers to directly ship distilled spirits manufactured or produced by that licensee at its premises directly to a consumer.

**-- END --**