

CONCURRENCE IN SENATE AMENDMENTS

AB 1246 (Hoover)

As Amended August 29, 2025

Majority vote

SUMMARY

Original Committee of Reference: AGO

This bill allows, until January 1, 2027, a licensed craft distiller, or a qualifying out-of-state distiller to directly ship distilled spirits manufactured by the licensee to a consumers in California, as specified. Additionally, this bill allows California's craft distillers to increase the number of liters that can be sold at their tasting rooms from 2.25 to 4.5 liters per day per consumer. Finally, this bill authorizes a craft distiller to transport brandy to the premises of a licensed winegrower for the purpose of storing the brandy to age on the winegrower's premises.

Senate Amendments

Current Committee Recommendation: Concur

- 1) Extends a current exemption in law that allows a licensed craft distiller to directly ship distilled spirits manufactured by the licensee to a consumer in California from January 1, 2026, to January 1, 2027.
- 2) Until January 1, 2027, adds a "qualifying out-of-state" distiller, to provisions in current law that allow craft distillers to directly ship distilled spirits manufactured by the licensee to a consumer in California.
- 3) Defines "qualifying out-of-state distiller" to mean a distilled licensed in any other state that satisfies the conditions necessary for a craft distiller license under the laws of this state.
- 4) Requires craft distillers and qualifying out-of-state distillers, to hold a current distilled spirits direct shipper permit issued by the Department of Alcoholic Beverage Control (ABC), as specified, and provide the department with specified information to ensure compliance with the provisions of this bill.

COMMENTS*Background.*

California's Tied-house law prevents the vertical integration of the alcohol industry by keeping the manufacturer, wholesaler and retailer separated. Generally, one type of license holder is not permitted to do business as another type of licensee, absent an exemption to tied-house law.

AB 1295 (Levine), Chapter 640, Statutes of 2015, created the craft distillers license (Type 74), which allowed a licensee to manufacture and sell specified amounts of distilled spirits per year directly to a consumer attending an on-premises tasting. Although a consumer is no longer required to participate in a tasting prior to making a purchase, existing law specifies the sale must be made directly to a consumer at the licensed premises, thus prohibiting a licensee from shipping distilled spirits to the consumer.

According to the sponsor, each craft distiller typically makes a variety of products (in some cases over 30). Customers purchasing gifts after a tasting room visit want to purchase more than 2.25 liters. The current limit has the real-world impact of reducing sales at distilleries which hurts these small struggling businesses. AB 1246 simply allows California craft distillers to sell 4.5 liters per customer instead of the current limit of 2.25 liters. This will help California craft distillers make more sales and generate more revenue for state and local governments.

The sponsor further states that due to consolidation among distributors, the ability of craft distillers to get their products into stores has declined since off-sale privileges were first granted. This highlights the importance of increasing the number of bottles they can sell directly to visitors. Moreover, the future of direct-to-consumer shipping for craft distillers remains uncertain, as it is set to sunset on January 1, 2026. Without this option, California craft distillers would face significant revenue loss. AB 1246 aims to support craft distilleries—small businesses—by increasing the number of liters they can sell to each customer at their tasting rooms. This measure would help offset their lost revenue and ensure their continued success.

The sponsor believes that "AB 1246 presents an opportunity for craft distillers to navigate a turbulent marketplace and look forward to its timely implementation, especially for out-of-state distillers."

Current in-state shipping exemption. After efforts to enact a comprehensive legislative solution fell short, the California Legislature passed AB 920 (Aguiar-Curry, Chapter 729, Statutes of 2022), which was signed into law by the Governor in 2022. The measure temporarily authorized craft distillers to ship distilled spirits directly to consumers off-site, with the provision in effect until January 1, 2024. Under the bill, the shipment could not exceed 2.25 liters and only be for the consumer's personal use. The licensee is required to maintain adequate records and provide those records to the ABC upon request. The licensee must require the common carrier to obtain the signature of an individual who is 21 years of age or older and the package must be properly labeled as containing alcohol. This authorization was again extended for one year by AB 1088 (B. Rubio, Chapter 829, Statutes of 2023). In 2024, AB 3203 (Aguiar-Curry, Chapter 318, Statutes of 2024) extended the existing provision that permits craft distillers in California to directly ship distilled spirits, pushing the expiration date to January 1, 2026. This bill now further extends that shipping privilege by an additional year, through January 1, 2027.

Legality, legislative action, and a pending lawsuit. In 2005, the Supreme Court of the United States issued its decision in *Granholm v. Heald*, striking down laws in New York and Michigan that permitted in-state wineries to ship wine directly to consumers while prohibiting out-of-state wineries from doing the same. The Court held that such discriminatory practices violated the Commerce Clause of the U.S. Constitution. It further concluded that the 21st Amendment, which ended Prohibition, did not justify or shield these laws from constitutional scrutiny.

Following the *Granholm* decision, the California Legislature enacted SB 118 (Chesbro, Chapter 157, Statutes of 2005), which was subsequently signed into law by the Governor. This legislation established the wine direct shipper permit, authorizing licensed winegrowers to sell and ship wine directly to consumers. The permit is available to both in-state and out-of-state winegrowers, ensuring California's compliance with the *Granholm* ruling.

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 *Granholm* decision. 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 ABC.

AB 1246 was recently amended in the Senate to include *Granholm*-compliant language, allowing qualifying out-of-state distillers—who would otherwise meet the definition of craft distillers under California law—to ship distilled spirits directly to consumers in California. Both in-state and out-of-state distillers would be required to obtain a direct shipper permit from the ABC, maintain appropriate records, and make those records available for audit upon request to ensure compliance with the bill's provisions. The bill would authorize the direct shipping privileges through January 1, 2027.

One more change to existing law. Existing law requires the aging process for brandy manufacturing to occur at a distillery. However, craft distillers often do not have enough on-premises space to store the barrels in which brandy ages. AB 1246 allows a distiller to transport brandy to a winery for the purpose of storing aging brandy at the winery.

According to the Author

According to the author's office, "California leads the nation with nearly 200 craft distilleries, which are family-owned small businesses that contribute to job growth in local agriculture, restaurants, and tourism. However, these distilleries face challenges in reaching consumers outside of their facilities and need more flexibility to meet visitor demand. This bill simply extends the ability of craft distilleries across the state to ship directly to consumers for one more year. Additionally, AB 1246 allows California craft distillers to sell up to 4.5 liters per customer, compared to the current limit of 2.25 liters. This change will help craft distillers generate more revenue, ultimately creating jobs and supporting the growth of small businesses in our communities."

Arguments in Support

According to the Craft Distillers Association, "AB 1246 increases the daily sales limit for craft distillers from 2.25 liters to 4.5 liters of prepackaged containers per consumer who visits their premises. Many craft distillers are unable to secure distribution to retail markets, and sales from their tasting rooms offer a critical lifeline. Given overall market trends and the reality that it may be many months between a customer's visits to a craft distillery, this expansion offers an essential revenue stream for these small businesses. Additionally, AB 1246 will extend direct shipping privileges for California craft distillers as well as allowing craft distillers from other states to obtain a permit to ship directly to California consumers. Direct-to-consumer shipping will help distillers who are having trouble securing distribution."

Arguments in Opposition

None on file

FISCAL COMMENTS

According to the Senate Committee on Appropriations analysis, "unknown, likely absorbable costs to the Department of ABC for administrative and enforcement workload related to the new distilled spirits direct shipper permit (Alcohol Beverage Control Fund). ABC's administrative costs will be offset to some extent by fee revenue.

Additionally, unknown, likely absorbable workload to the ABC 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."

VOTES

ASM GOVERNMENTAL ORGANIZATION: 22-0-0

YES: Blanca Rubio, Davies, Alvarez, Berman, Bryan, Carrillo, Dixon, Fong, Gabriel, Gipson, Macedo, McKinnor, Nguyen, Pacheco, Ramos, Michelle Rodriguez, Sanchez, Solache, Soria, Ta, Valencia, Wallis

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Sanchez, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache, Ta, Tangipa

ASSEMBLY FLOOR: 76-0-3

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

ABS, ABST OR NV: Lee, Lowenthal, Stefani

SENATE FLOOR: 40-0-0

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNERney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ASM GOVERNMENTAL ORGANIZATION: 17-0-5

YES: Blanca Rubio, Davies, Berman, Carrillo, Dixon, Fong, Gipson, Macedo, Pacheco, Ramos, Michelle Rodriguez, Sanchez, Solache, Soria, Ta, Valencia, Wallis

ABS, ABST OR NV: Alvarez, Bryan, Gabriel, McKinnor, Nguyen

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