
CONSENT

Bill No: AB 2375
Author: Blanca Rubio (D)
Amended: 6/17/26 in Senate
Vote: 21

SENATE GOVERNMENTAL ORG. COMMITTEE: 14-0, 6/23/26

AYES: Rubio, Valladares, Archuleta, Ashby, Blakespear, Cervantes, Dahle, Hurtado, Ochoa Bogh, Padilla, Richardson, Smallwood-Cuevas, Wahab, Weber Pierson

NO VOTE RECORDED: Alvarado-Gil

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 68-0, 4/16/26 (Consent) - See last page for vote

SUBJECT: Alcoholic beverage control

SOURCE: Author

DIGEST: This bill revises and recasts provisions in the Alcoholic Beverage Control (ABC) Act that currently require electronic fund transfers (EFT) for retailer to wholesaler alcohol payments. This bill changes the requirement from delivery to sale, defines “initiate” and “equitable manner,” and expands processor options, as specified. Additionally, this bill revises the definition of “beer” for purposes of the ABC Act to provide that beer may be produced using other grains.

ANALYSIS:

Existing law:

- 1) Establishes the Department of ABC and grants it exclusive authority to administer the provisions of the ABC Act in accordance with laws enacted by the Legislature. This involves licensing individuals and businesses associated

with the manufacture, importation, and sale of alcoholic beverages and the collection of license fees for this purpose.

- 2) Defines “beer” to mean any alcoholic beverage obtained by the fermentation of any infusion or decoction of barley, malt, hops, or any other similar product, or any combination thereof in water, and includes ale, porter, brown, stout, lager beer, small beer, and strong beer, but does not include sake, known as Japanese rice wine. Beer may be produced using the following materials as adjuncts in fermentation: honey, fruit, fruit juice, fruit concentrate, herbs, spices, and other food materials. Beer aged in an empty wooden barrel previously used to contain wine or distilled spirits shall be defined exclusively as “beer” and shall not be considered a dilution or mixture of any other alcoholic beverage. (California Business and Professions Code [Cal. Bus. & Prof. Code] § 23006)
- 3) Requires specified licensees who sold and delivered alcoholic beverages to a retailer and did not receive payment within 42 days of the date of delivery to charge 1% of the unpaid balance on the 43rd day and an additional 1% for each subsequent 30-day period.
- 4) Requires a payment from a licensed retailer to a licensed wholesaler for the delivery of alcoholic beverages to be made by EFT pursuant to certain conditions, except as specified. Among other things, existing law requires the wholesaler to initiate the EFT and requires any service fees related to the EFT to be applied in an equitable manner. Existing law also provides for the selection of the third-party payment processor used to facilitate the EFT, as specified.

This bill:

- 1) Revises and recasts provisions in the ABC Act related requirements of payment from a licensed retailer to a licensed wholesaler for the *delivery* of alcoholic beverages, to instead apply to the *sale* of alcoholic beverages.
- 2) Requires specified licensees who sold and delivered alcoholic beverages to a retailer and did not receive payment to charge 1% of the unpaid balance after 30 days without payment and an additional 1% for each subsequent 30-day period. Under current law, the 1% charge begins after 42 days.
- 3) Defines “initiate,” for specified provisions in the ABC Act related to the requirement that a wholesaler licensee initiate the EFT, to mean presenting an

invoice to the licensed retailer requiring the licensed retailer to make payment by electronic means.

- 4) Provides, for specified provisions in the ABC Act related to the requirement that a wholesaler licensee initiate the EFT, that that provision does not prevent a licensed retailer from authorizing the licensed wholesaler to electronically withdraw funds directly from the licensed retailer's bank account, if the authorization is voluntary and can be withdrawn by the licensed retailer through a written notice provided to the licensed wholesaler at least 72 hours before a scheduled electronic withdrawal.
- 5) Defines "equitable manner," for specified provisions in the ABC Act related to the requirement that any service fees related to electronic payment transactions shall be applied in an equitable manner to each subscribing licensed wholesaler and licensed retailer, to mean that the fees paid are for those services the paying party receives from the electronic payment service provider.
- 6) Requires the licensed wholesaler and licensed retailer to either use the third-party payment processor used by the parties on July 1, 2025, or a payment processing service offered by a financial institution that held a deposit account of the licensed retailer on that date, and, if neither apply, would require the wholesaler to select the processor.
- 7) Revises the definition of "beer" for purposes of the ABC Act to provide that beer may be produced using other grain and to specify that fermentation occurs in drinkable water.

Background

Author Statement. According to the author's office, "this bill makes technical and noncontroversial changes to the Act to further facilitate implementation of AB 2991 (2024), which authorized electronic payments between retailers and wholesalers for alcoholic beverage deliveries made by an EFT in accordance with various requirements. AB 2375 conforms the statute's payment provisions to implementation guidance issued by the Department of ABC and clarifies that both 'push' (payer) and 'pull' (payee) electronic payment systems comply with statutory requirements. The amendments preserve the underlying objectives of the 2024 legislation and the tied-house credit laws by ensuring prompt payment and a level playing field, without permitting any unlawful extension of credit between the parties."

Furthermore, “traditionally, beer has been brewed using barley, malt, and hops. However, over thousands of years, brewers have experimented with a variety of adjunct ingredients to create unique and innovative beer styles that reflect both seasonal influences and regional traditions. This bill aims to update the ABC Act by expanding the definition of beer to acknowledge this historical diversity while aligning with Federal regulations on beer flavoring. Additionally, it ensures that fermentation occurs in drinkable water.”

AB 2991 (Valencia, Chapter 426, Statutes of 2024). In 2024, Governor Newsom signed AB 2991 (Valencia, Chapter 426, Statutes of 2024) which requires payments from retailer licensees to wholesaler licensees for alcoholic beverage deliveries to be made by an EFT in accordance with various requirements. These requirements included:

- 1) The wholesaler must initiate the EFT through the withdrawal of funds from the retailer’s bank account. Initiating an EFT withdrawal can include, but is not limited to, simply generating an invoice requesting payment.
- 2) The EFT must occur by the expiration of the 30th day from the date of delivery.
- 3) Any costs related to the electronic payment services must be paid by the party that incurred the costs. Wholesalers cannot pay for electronic payment fees incurred by a retailer, and a retailer cannot pay for electronic payment fees incurred by a wholesaler, and service fees must be applied in an equitable manner to the licensee to match the services they receive.

The bill designated the wholesaler license with the authority to select the third-party payment processor used to facilitate the EFT transfer. Notwithstanding, a wholesaler and retailer may agree on the third-party payment processor, but if the parties are unable to agree, they must use the third-party payment processor used by the retailer as of July 1, 2025, to pay for wholesale alcohol purchase; and, if by July 1, 2025, the retailer does not use a third-party payment processor, the parties must use the third-party payment processor selected by the wholesaler.

The bill provided specified exceptions for cash, check, or money order, including, but not limited to, temporary service interruptions of third-party payment processors, accepting payment following an EFT of insufficient funds, and others.

In addition, the bill gave wholesalers the ability to accept credit card payments in lieu of an EFT, so long as the retailer bears the cost of the transaction. The bill gave wholesalers’ discretion to accept credit card payment. In April 2025, the

Department of ABC issued an advisory alerting alcohol licensees of the new law and encouraged wholesalers and retailers to work together to ensure compliance with this new law.

Change Made by this Bill. Since the enactment of AB 2991 (Valencia, Chapter 426, Statutes of 2024) the Department of ABC has received numerous complaints from retailers, largely stemming from confusion over specific provisions of that bill. This bill seeks to clarify and improve several of those provisions.

First, existing law requires EFT payment from a retailer to a wholesaler upon delivery of alcoholic beverages. This bill changes the triggering event from delivery to sale. Second, current law requires licensees who sell and deliver alcoholic beverages to a retailer and do not receive payment within 42 days of delivery to charge 1% of the unpaid balance on the 43rd day, plus an additional 1% for each subsequent 30-day period. This bill reduces that initial window to 30 days, with the same 1% monthly charge thereafter. The 42-day period originated in mid-20th century banking practice, when checks could be delayed in transit and a 12-day buffer was considered necessary. That rationale no longer applies in an era of electronic payments.

Additionally, AB 2991 requires the wholesaler to "initiate" an electronic funds transfer, but the term generated significant confusion regarding its precise meaning. This bill addresses that ambiguity by defining "initiate" to mean presenting an invoice to the licensed retailer requiring the licensed retailer to make payment by electronic means. Similarly, AB 2991 requires any service fees related to electronic payments to be applied equitably to wholesalers and retailers alike. This bill defines "equitable manner" to mean that the fees paid are for those services the paying party receives from the electronic payment service provider.

Finally, this bill clarifies that the requirement for wholesalers to initiate EFTs does not preclude a retailer from voluntarily authorizing a wholesaler to withdraw funds directly from the retailer's bank account under a mutual EFT agreement, provided the retailer may revoke that authorization by written notice to the wholesaler at least 72 hours before scheduled withdrawal.

Adding Flavors to Brewing. Beer flavor enhancement encompasses a wide range of techniques beyond the naturally occurring characteristics imparted by barley, malt, hops, yeast, and other grains. Brewers may deliberately introduce ingredients such as fruits, herbs, spices, and other flavorings — either before or after the boil — to lend a beer its distinctive character. Similarly, a diverse array of fermentable

adjuncts beyond barley may be incorporated into the brewing process, as virtually any starch or sugar is capable of serving as a fermentable base.

Fermentable ingredients generally fall into two broad categories. The first encompasses sugars that are readily available for fermentation without additional processing, including refined sugars, syrups, honey, and fruits. The second comprises sugars that are bound within starches or complex carbohydrates — such as grains, roots, and vegetables — and require processing to release the simpler sugars necessary for yeast activity.

In the latter case, yeast relies on enzymatic activity to break down maltose present in the wort — the liquid extracted during mashing — into fermentable simple sugars. Fructose, though the most abundant naturally occurring fermentable sugar, sees comparatively limited use in brewing. Despite its structural similarity to glucose, its distinct molecular configuration renders it less amenable to efficient yeast fermentation.

Related/Prior Legislation

AB 1940 (Villapudua, Chapter 218, Statutes of 2024) allows a wholesaler or manufacturer to accept the return of a seasonal brand of beer from a retail licensee if the beer is exchanged for a quantity of beer of similar quality, if the original manufacturer has ceased doing business.

AB 2991 (Valencia, Chapter 426, Statutes of 2024) required, commencing on January 1, 2026, a payment by an alcohol retail licensee to a wholesaler licensee for the delivery of beer, wine, or distilled spirits, to be made by EFT, except as specified.

AB 205 (Daly, Chapter 60, Statutes of 2019) revised the definition of "beer" for purposes of the ABC Act to provide that beer may be produced using honey, fruit juice, fruit concentrate, herbs, spices, and other food materials, as adjuncts in fermentation.

AB 1812 (Chesbro, Chapter 96, Statutes of 2012) added clarity to the definition of "beer" in the ABC Act by making it explicit that beer aged in an empty wooden barrel previously used to contain wine or distilled spirits shall be defined exclusively as "beer" and shall not be considered a dilution or mixture of any other alcoholic beverage.

SB 39 (Padilla, Chapter 140, Statutes of 2011) prohibits the import, production, manufacture, distribution, or sale of beer to which caffeine has been directly added as a separate ingredient at retail locations within the state.

AB 346 (Beall, Chapter 624, Statutes of 2008) provides that any container of beer or alcoholic beverage, other than sake, that is approved for labeling as a malt beverage under the Federal Alcohol Administration Act, that derives 0.5% or more of its alcoholic content by volume from flavors or other ingredients containing distilled alcohol and that is sold within this state on or after July 1, 2009, shall bear a distinctive, conspicuous, and prominently displayed label, or firmly affixed sticker, as defined.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee, staff notes that the Department of ABC's activities are funded by regulatory and license fees and generally the department does not receive support from the General Fund. New legislative mandates, although modest in scope, may in totality create new cost pressures and impact the department's operating costs and future budget requests

SUPPORT: (Verified 8/3/26)

California Restaurant Association
California Family Beer Distributors

OPPOSITION: (Verified 8/3/26)

None received

ARGUMENTS IN SUPPORT: According to the California Family Beer Distributors, "AB 2375 preserves the purpose of AB 2991 and California's tied-house credit laws – prompt payment and a level playing field, with no extension of unlawful credit – while giving retailers, wholesalers, and payment processors clear and consistent rules." According to the California Restaurant Association, "AB 2375 ensures restaurants, bars, and other licensees are not subject to unexpected withdrawals – instead, this common-sense legislation ensures that all payments are not only made within a reasonable time-frame, but that proper protections remain in place so that suppliers are paid on time."

ASSEMBLY FLOOR: 68-0, 4/16/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Boerner, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen,

Connolly, Davies, DeMaio, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Arambula, Berman, Bonta, Dixon, Flora, Harabedian, Hart, Hoover, Irwin, Papan, Celeste Rodriguez, Schiavo

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