CONCURRENCE IN SENATE AMENDMENTS
AB 2375 (Blanca Rubio)
As Amended August 20, 2026
Majority vote

SUMMARY

This bill would revise and recast provisions in the Alcoholic Beverage Control Act (Act) that currently require electronic fund transfers (EFT) for retailer to wholesaler alcohol payments. Additionally, the bill revises the definition of "beer" for purposes of the Act to provide that beer may be produced using other grains.

Senate Amendments

1) Revise and recast provisions in the Act related to the 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) Require 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.

3) Define "initiate," for specified provisions in the 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) Provide, for specified provisions in the 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withdraw funds directly form the licensed retailer's bank account, if the authorization is voluntary and can be withdrawn by the licensed retailer through a written notice provided to the licensed wholesaler at least 72 hours before a scheduled electronic withdrawal.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) Define "equitable manner," for specified provisions in the 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) Require 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) Make technical and clarifying changes.

COMMENTS

Background.

In 2024, Governor Newsom signed AB 2991 (Valencia) Chapter426, Statutes of 2024 which required 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 Alcoholic Beverage Control (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), ABC has received 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, the chaptered legislation required 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, the 2024 legislation required 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 a scheduled electronic withdrawal.

Federal rule on beer flavoring. In 2006, the Department of the Treasury and its Alcohol and Tobacco Tax and Trade Bureau adopt as a final rule (Title 27, Code of Federal Regulations, Chapter 1, Section 25.15) that states, "Beer must be brewed from malt or from substitutes for malt. Only rice, grain of any kind, bran, glucose, sugar, and molasses are substitutes for malt. In addition, the following materials may be used as adjuncts in fermenting beer: honey, fruit, fruit juice, fruit concentrate, herbs, spices, and other food materials."

Using flavors in brewing. There are a number of methods of adding flavors to beer. These are not the flavors that are imparted naturally by the barley, malt, hops, yeast or other grain, but rather intentional additions such as fruits and spices that give a beer its uniqueness. Herbs, spices, or flavorings can be added before or after the boil. There are many other brewing sugars used in brewing beer besides barley. Any starch or sugar can be used as a fermentable adjunct in the making of beer.

There are basically two classes of fermentables that need consideration: sugars that can be fermented directly without any processing, which includes processed sugars, syrups, honey, fruits, and so on; and sugars that are locked up in starches or complex carbohydrates which require some form of processing to extract or convert the simple(r) sugars needed by the yeast.

This second class includes grains, roots, vegetables, and other ingredients that do not contain readily accessible sugars. During brewing, yeast—highly efficient at fermentation—uses enzymes to break down maltose in wort (the liquid extracted during the mashing stage of beer production) into simpler sugars that can be fermented. Fruit sugar, the most abundant naturally occurring source of fermentable sugar in nature, is not widely used in brewing. Although it is similar to glucose, its different structure makes it more difficult for yeast to ferment efficiently.

According to the Author

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. This bill conforms the statute's payment provisions to implementation guidance issued by 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 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."

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 timeframe, but that proper protections remain in place so that suppliers are paid on time."

Arguments in Opposition
None on file.

FISCAL COMMENTS

According to the Senate Committee on Appropriations, pursuant to Senate Rule 28.8, negligible state costs.

VOTES:

ASM GOVERNMENTAL ORGANIZATION: 22-0-0
YES: Blanca Rubio, Davies, Alvarez, Berman, Bryan, Carrillo, Dixon, Fong, Gabriel, Gallagher, Gipson, Macedo, McKinnor, Nguyen, Pacheco, Ramos, Michelle Rodriguez, Solache, Soria, Ta, Valencia, Wallis

ASSEMBLY FLOOR: 68-0-12
YES: 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
ABS, ABST OR NV: Arambula, Berman, Bonta, Dixon, Flora, Harabedian, Hart, Hoover, Irwin, Papan, Celeste Rodriguez, Schiavo

SENATE FLOOR: 39-0-1
YES: Allen, 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
ABS, ABST OR NV: Alvarado-Gil

UPDATED

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CONSULTANT: Eric Johnson / G.O. / (916) 319-2531 FN: 0004022