



NORTH DAKOTA HOUSE OF REPRESENTATIVES

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COMMITTEES:
Appropriations

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Chairman Jerry Klein and Members of the Industry, Business and Labor Committee,

Over the last several years, North Dakota has worked diligently to finely tune our craft alcohol laws that allows small businesses to flourish while preserving the delicate balance within a highly regulated industry.

HB 1286 is a relatively lengthy but simple bill that would allow micro-distilleries to choose between a single or dual-location license under state law. This bill was specifically drafted at the request of an existing distillery in Grand Forks located in an industrial building and physically / logistically unable to provide store-front operations due to parking, facilities, and other limitations.

I would refer you to testimony presented to the House IBL Committee – documents 1494, 1847, 1848, 1849, 1850, and 1851 – to learn more about the exact situation Red Pine Distillery is facing. Mr. Tyler Seim is unable to attend today's hearing but I can also answer some questions as they arise.

To summarize current laws in North Dakota, a micro-distillery may do the following in their single location:

- Manufacture spirits
- Provide samples of their products
- Distribute products directly to retailers (subject to quantity limitations)
- Sell products for on-premise consumption
- Sell products for off-premise consumption
- Operate a licensed restaurant on or immediately adjacent to the distillery's premises
- Host on-site events
- Host up to 40 special event days at off-site locations (with approval from tax department)

HB 1286 creates a new type of licensure for a micro-distillery that would permit the distillery to bifurcate their operations into two separate facilities. A distillery under the new license would be subject to all the same limitations as existing single-site distilleries, but be able to operate a manufacturing facility and a satellite service location from which to serve their products.

Here's how the same allowances in page 1 of my testimony would be split under this optional license:

Manufacturing Distillery may:

- Manufacture spirits
- Provide samples of their products
- Distribute products directly to retailers (subject to quantity limitations)
- Sell products for off-premise consumption
- Be the host location for special events hosted by the distillery (up to 40 event days)

Satellite Service Distillery (location) may:

- Provide samples of their products
- Sell products for on-premise consumption
- Sell products for off-premise consumption
- Operate a licensed restaurant on or immediately adjacent to the distillery's premises
- Host on-site events
- Host up to 40 special event days at off-site locations (with approval from tax department)

If a distillery converted to or was formed under this licensure structure they would be required to pay an additional \$100 per year license fee for the satellite location.

Section 2 of this bill is a transition period for existing distilleries to convert from the current single-site license to a dual-site license. This is necessary because a licensee may not hold both types of licenses. This transition period allows the licensee and tax department to convert from one type to the other without violating this restriction.

An emergency clause was added by the House to give the subject distillery (and any others who may be interested in converting to or forming under this licensure type) the ability to take advantage of this year's construction and tourism season.

Thank you for your time and efforts, Chairman Klein and members of the committee. We're grateful for your favorable consideration and hope you give this a do pass recommendation.

