



## New Legislation (AB 1295) Allows Craft Distillers to Manufacture Distilled Spirits

Starting January 1, 2016, the law allows the Department of Alcoholic Beverage Control (ABC) to issue a Craft Distiller's license to a person that has facilities and equipment for the purposes of, and is engaged in, the commercial manufacture of distilled spirits. The Craft Distiller's license authorizes the licensee to do all of the following:

- Manufacture up to 100,000 gallons of distilled spirits per fiscal year (July 1 through June 30), exclusive of brandy production.
- Package, rectify, mix, flavor, color, label, and export only those distilled spirits manufactured by the licensee.
- Only sell distilled spirits that are manufactured and packaged by the licensee solely to a wholesaler, manufacturer, winegrower, manufacturer's agent, or rectifier that holds a license authorizing the sale of distilled spirits or to persons that take delivery of those distilled spirits within this state for delivery or use outside the state.
- Deal in warehouse receipts.
- Sell all beers, wines, brandies, or distilled spirits to consumers for consumption on the premises in a bona fide eating place located on the licensed premises or on premises owned by the licensee that are contiguous licensed premises operated by and for the licensee, provided that any alcoholic beverage products not manufactured by the licensee are purchased from a licensed wholesaler.
- Sell up to the equivalent of 2.25 liters in any combination of prepackaged containers per day per consumer of distilled spirits manufactured by the licensee at its premises to a consumer attending an instructional tasting conducted by the licensee on its licensed premises.

If you have any questions regarding Craft Distiller's license requirements, or to obtain a license, contact the ABC at [www.abc.ca.gov](http://www.abc.ca.gov), or the BOE through our website at [www.boe.ca.gov/sptaxprog/alcoholic\\_bev\\_tax.htm](http://www.boe.ca.gov/sptaxprog/alcoholic_bev_tax.htm). You may also call our Customer Service Center at 1-800-400-7115 (TTY:711). Customer service representatives are available to assist you weekdays from 8:00 a.m. to 5:00 p.m., (Pacific time), except state holidays.

## Self-Consumption at Bars and Restaurants

Do you give meals and beverages to employees for dinner breaks without any charge to the employee? Or maybe provide complimentary meals to patrons? If you do, the food, nonalcoholic drinks, or noncarbonated beverages given away or consumed are not subject to tax. However, if you consume or give away nonfood items, such as alcoholic or carbonated drinks, which you purchased without payment of tax, you must pay use tax based on your cost of those items.

There are some instances where the donation of taxable items would not be subject to use tax. For example, donations of taxable items to qualified charitable organizations are exempt from tax. *Regulation 1669, Demonstration, Display and Use of Property Held for Resale—General*, provides additional information on the exemption for donations to charitable organizations.

For more information, see the *Tax Guide for Restaurant Owners* page on our website at [www.boe.ca.gov/industry/restaurant.html](http://www.boe.ca.gov/industry/restaurant.html). The Guide contains additional information regarding tax obligations specific to the dining and beverage industry. You may also refer to [publication 22, Dining and Beverage Industry](#). You can download this publication from our website.

## Retail Sales of Ice are Subject to Tax

The retail sales of cold food products are generally exempt from tax. However, ice is not considered a food product. Therefore, retail sales of ice are generally subject to tax. Ice is generally used to keep other items cold. It may be incidentally consumed by a person when ice is used in a beverage to keep the beverage cold, but the primary purpose is to keep the beverage cold. For these reasons, ice is not considered a food product and the retail sale of ice is subject to tax.