

NOVEMBER 2019



Photo courtesy of Texas Tribune

LEGISLATIVE UPDATE

On October 22, Speaker Bonnen announced that he will not seek re-election for HD 25, and subsequently, will not seek another term as Speaker of the House.

By way of background, on July 25, conservative activist Michael Quinn Sullivan published an article on his group's website, Texas Scorecard, alleging that Speaker Bonnen and Rep. Burrows (R-Lubbock) offered media credentials for Sullivan's organization in exchange for political attacks against 10 Republican house members. Speaker Bonnen initially denied the allegation, but after Sullivan announced that he had an audio recording of the meeting, Speaker Bonnen apologized to the members of the House and Rep. Burrows resigned as the Chair of the Texas House Republican Caucus.

At the urging of the Governor, Lt. Governor and other Republican members, the secret recording was released to the public last week. In the recording, the Speaker, Rep. Burrows and Sullivan discuss the 2020 primaries and Speaker Bonnen suggests that he could get the writers of Texas Scorecard media access to the House floor. Speaker Bonnen also made disparaging remarks about several Democratic House members and both he and Rep. Burrows expressed their disdain for local governments and their leaders.

The Texas House Republican Caucus met last week and released a statement condemning "the offensive language used and the statements made by Speaker Bonnen and Representative Burrows during the secretly recorded meeting...." The caucus also reiterated that "the views expressed in the taped recording in no way reflect the high regard we have for our locally elected officials."

Meanwhile, the House General Investigating Committee, which called for a Texas Rangers Public Integrity Unit to investigate the circumstances, events, and allegations in connection with the meeting between Speaker Dennis Bonnen, Rep. Dustin Burrows and Michael Quinn Sullivan, retained a panel of bipartisan lawyers to guide the committee once the Texas Ranger's investigation is completed.

The panel consists of former Democratic state representative Patricia Gray; former Republican state representative Will Hartnett; and former Chief Justice of the Texas Supreme Court, Tom Phillips.

As of now, Speaker Bonnen will continue to serve as Speaker of the House until January 2021.

NOVEMBER ELECTIONS

Early voting began last week for three special elections and ten proposed constitutional amendments.

The three special elections are to fill vacant House seats. Two of the House seats were previously held by Democrats, and are considered Democratic seats, while the third was held by a Republican.

In the race to replace former Appropriations Chairman, Rep. John Zerwas (R-Richmond), there are six Republicans and one Democrat on the ballot for HD 28. While Zerwas won his re-election in 2016 by 8 percentage points, the Fort Bend County Democratic Party is hoping that this seat could turn blue.

In HD 100, which was vacated when former Rep. Eric Johnson (D-Dallas) became the Mayor of Dallas in June, there are four Democrats vying for the seat, while there are fifteen candidates running to represent HD 148 in Houston. HD 148 became vacant when longtime Rep. Jessica Farrar retired in September. This Houston race has 12 Democrats, 2 Republicans and an Independent vying for the seat. All three of these special election races will likely end up in a run-off election.

Statewide, the November 5th ballot will have 10 proposed constitutional amendments. A majority of Texas voters must support these propositions in order for a change to be made to the state constitution.

The propositions are in the right sidebar.



Proposed Constitutional Amendments

Proposition 1 ([HJR 72](#))

"The constitutional amendment permitting a person to hold more than one office as a municipal judge at the same time."

Proposition 2 ([SJR 79](#))

"The constitutional amendment providing for the issuance of additional general obligation bonds by the Texas Water Development Board in an amount not to exceed \$200 million to provide financial assistance for the development of certain projects in economically distressed areas."

Proposition 3 ([HJR 34](#))

"The constitutional amendment authorizing the legislature to provide for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property damaged by a disaster."

Proposition 4 ([HJR 38](#))

"The constitutional amendment prohibiting the imposition of an individual income tax, including a tax on an individual's share of partnership and unincorporated association income."

Proposition 5 ([SJR 24](#))

"The constitutional amendment dedicating the revenue received from the existing state sales and use taxes that are imposed on sporting goods to the Texas Parks and Wildlife Department and the Texas Historical Commission to protect Texas' natural areas, water quality, and history by acquiring, managing, and improving state and local parks and historic sites while not increasing the rate of the state sales and use taxes."

Proposition 6 ([HJR 12](#))

"The constitutional amendment authorizing the legislature to increase by \$3 billion the maximum bond amount authorized for the Cancer Prevention and Research Institute of Texas."

Proposition 7 ([HJR 151](#))

"The constitutional amendment allowing increased distributions to the available school fund."

Proposition 8 ([HJR 4](#))

"The constitutional amendment providing for the creation of the flood infrastructure fund to assist in the financing of drainage, flood mitigation, and flood control projects."

Proposition 9 ([HJR 95](#))

"The constitutional amendment authorizing the legislature to exempt from ad valorem taxation precious metal held in a precious metal depository located in this state."

Proposition 10 ([SJR 32](#))

"The constitutional amendment to allow the transfer of a law enforcement animal to a qualified caretaker in certain circumstances."

The House Research Organization's analysis of each proposition can be found [here](#).

★ FEDERAL UPDATE ★

CBMTRA

In 2017, Congress passed the Craft Beverage Modernization and Tax Reform Act (CBMTRA), which established a reduced rate of \$2.70 per proof gallon for the first 100,000 proof gallons of distilled spirits produced or imported annually. Unfortunately, this reduction is expected to end December 31st unless Congress extends it or makes the reduction permanent.

Congressman Ron Kind (D-WI) and Senator Ron Wyden (D-OR) filed Craft Beverage Modernization and Tax Reform Act (H.R. 1175/ S.362), which will make permanent the provision that lowers the federal excise tax from \$13.50 to \$2.70 per proof gallon. Thus far only 13 out of 36 Texas Congressional members have signed on as co-sponsors of the bill. Neither Senator Cornyn nor Senator Cruz have offered their support for CBMTRA. TDSA has sent multiple letters to our Texas delegation members urging their support and we ask that every distiller do the same.

Please thank the following members for offering their support:

Rep. Eddie Bernice Johnson [D-TX-30]
Rep. Vicente Gonzalez [D-TX-15]
Rep. Kay Granger [R-TX-12]
Rep. John Ratcliffe [R-TX-4]
Rep. Randy Weber [R-TX-14]
Rep. Pete Olson [R-TX-22]
Rep. Kenny Marchant [R-TX-24]
Rep. Roger Williams [R-TX-25]
Rep. Will Hurd [R-TX-23]
Rep. Joaquin Castro [D-TX-20]
Rep. Marc Veasey [D-TX-33]
Rep. Van Taylor [R-TX-3]
Rep. Filemon Vela [D-TX-34]



Texas distillers visit the US Capitol to advocate for the passage of the CBMTRA.

USMCA

TDSA also sent a letter to Ambassador Lighthizer and the Texas Congressional delegation offering support for the United States Mexico-Canada Agreement (USMCA).

Texas spirits are winning accolades throughout the world and now, more than ever, Texas products are being sought after outside of this country. The USMCA will help Texas distillers export their products throughout North America without fear of retaliatory tariffs.

TDSA believes we need an updated trade policy, like the USMCA, to help boost our economic growth. Please consider urging your Congressional members to pass the USMCA.



WASHINGTON – The Distilled Spirits Council of the United States (DISCUS), America’s leading advocate for the distilled spirits industry, today announced that the Texas Distilled Spirits Association (TDSA) and the Texas Whiskey Association (TXWA) have joined [Spirits United](#) as partners to expand the grassroots network in the Lone Star State.

The Spirits United platform features important information on key issues facing the spirits industry, hospitality professionals and consumers, and provides advocates with an easy-to-use website to weigh in on issues that matter to them. DISCUS launched the platform in August with founding partners American Distilling Institute and TIPS.

“We are thrilled to have TDSA and TXWA join DISCUS, ADI and TIPS as Spirits United partners. Texas is a vital market for small and large distillers. Both organizations have a critical role in advocating for the distilled spirits industry in the Texas State Legislature, and they will be valued partners as we work together on market modernization opportunities for the industry in the state,” said Chris Swonger, president and CEO, DISCUS and Responsibility.org.

“The distilled spirits industry is a major contributor to the Texas economy. We support more than 82,000 jobs and make a \$7.5 billion impact on the state’s gross domestic product,” said Swonger. “We invite all Texas adults who are passionate about spirits to join Spirits United, including distillers, supply chain partners, bartenders, mixologists and consumers. We need everyone’s participation to pursue a competitive and free market to benefit consumers and businesses in Texas.”

“Spirits United is an exciting new way to mobilize advocates for the distilled spirits industry in Texas, and we look forward to partnering with our industry colleagues on this innovative initiative,” said TDSA President Mike Cameron. “Expanding this grassroots network in Texas will help our distillers grow and bring adult consumers more convenient access to their favorite distilled spirits products, many of which are made proudly right here in the Lone Star State.”

“In Texas, we have a great amount of pride for the whiskey we produce,” said TXWA Executive Director Spencer Whelan. “We are excited to join Spirits United to harness that pride and turn it into action on issues like the Craft Beverage Modernization and Tax Reform Act and market modernization in our state. Texans are brought up with a spirit for freedom, and we are the best and most passionate advocates for this industry.”

Spirits United Continues to Mobilize Support for Craft Beverage Bill

Spirits United already has begun [mobilizing](#) advocates in support of the *Craft Beverage Modernization and Tax Reform Act* (H.R. 1175/ S. 362), legislation making permanent the federal excise tax cut on distilled spirits that was enacted in 2017. Without congressional approval, the tax cut will expire on December 31, 2019. Using the Spirits United platform, advocates are actively sending letters to their members of Congress urging passage of the legislation.

“We urge Congress to act as soon as possible on the Craft Beverage Modernization and Tax Reform Act to ensure that distillers in Texas and across the nation can continue to invest in their businesses, hire more employees and boost tourism and economic development,” said Swonger. “Through Spirits United, we are working to get as many letters, social media interactions and phone calls to Congress as possible in support of this bill.”

Commitment to Responsibility

A strong commitment to responsibility is the foundation of Spirits United. Through Spirits United’s social media content and information on its site, spirits advocates will be encouraged to join industry efforts to prevent underage drinking and drunk driving and to promote the responsible consumption of beverage alcohol.

★ HB 1997 IMPLEMENTATION ★

Last session, TDSA supported House Bill 1997 which went into effect September 1. Because of this new law, distillers can now provide samples or conduct tastings of their products for retailers. TABC is currently proposing a rule that would allow in-state distillers to obtain the samples used from their own inventory, which would be considered “first sale” for purposes of taxation. Taxes must be paid on these samples not later than the 15th day of the month following the month in which the “first sale” occurred.

TABC intends to propose this rule for publication at the November 26 commission meeting.

A copy of the draft rule is below:

Rule § 41.18. Providing Retailer Samples: Distiller’s and Rectifier’s Permit

- (a) This section implements Alcoholic Beverage Code § 14.07.
- (b) A holder of a Distiller’s and Rectifier’s Permit may provide samples obtained from the distiller’s inventory to a retailer in accordance with Alcoholic Beverage Code § 14.07.
- (c) Samples taken from the distiller’s inventory are considered “first sale” for purposes of taxation under Alcoholic Beverage Code § 201.03. The holder of the Distiller’s and Rectifier’s Permit shall remit excise taxes for samples taken from inventory not later than the 15th day of the month following the month in which occurs the “first sale.”

You may share your thoughts with TABC staff by emailing rules@tabc.texas.gov.

★ TABC JOINS OCTOBER PRINCIPAL MEMBER MEETING ★

The Texas Alcoholic Beverage Commission’s (TABC) Executive Director, Bentley Nettles, joined Texas distillers at TDSA’s October principal meeting to recap the legislative session and outline TABC’s priorities for the next decade. A major focus of TABC over the next biennium will be to implement the Sunset recommendations and also improve stakeholder relationships.

TABC’s Priorities Include:

- ★ Disrupt and Dismantle Human Trafficking in Texas
- ★ Provide Exemplary Customer Service
- ★ Improve TABC’s Workforce Skillsets
- ★ Implement Legislative Mandates



★ TDSA WELCOMES NEW MEMBERS ★



Salvation Spirits

<https://www.ranchriderspirits.com/>

<http://salvation-spirits.com/>

TDSA is pleased to announce that Ranch Rider Spirits Co. and Salvation Spirits have joined as TDSA Principal Members!

★ TDSA WINTER SOCIAL & PROSPECTIVE MEMBER RECEPTION ★

You are invited to attend the TDSA 2019 Winter Social & Prospective Member Reception being held at Garrison Brothers Distillery in Hye, Texas on Tuesday, December 3, 2019. All members and guests are welcome. A buffet lunch and beverages will be provided by Garrison Brothers Distillery.

TDSA Winter Social & Prospective Member Reception

Tuesday, December 3, 2019
Garrison Brothers Distillery
1827 Hye-Albert Road
Hye, Texas 78635

Schedule

11:00 am – 12:30 pm –

Principal Member Meeting (Distiller Members only)

12:30 – 3:00 pm –

Winter Social and Prospective Member Reception – All members and guests welcome! Buffet lunch and beverages provided by Garrison Brothers Distillery.

Register at <https://texasdistilledspirits.org/event-3593982>



★ ABOUT TDSA ★

TDSA is a community of Texans who share a passion for handcrafted local Texas spirits. Our members are made up of holders of distilled spirits manufacturers' licenses, companies whom share a common interest with distilled spirits and individuals that enjoy distilled spirits, all of whom share a common goal: to continue growing the Texas distilled spirits community.

TDSA has something to offer for all Texans. Whether you're a passionate entrepreneur looking for advice to start or take your craft spirit to the next level, an

established craft spirit distiller looking for access to unique vendors, or you simply enjoy celebrating and spreading the word about Texas hand-crafted spirits, you are the key to ensuring the future of the Texas distilled spirits community.

There is strength in numbers and as members of the TDSA community; we are greater together than as individuals. For further information and details on membership, please visit the TDSA website, and click on the "Join Us" tab at the top.



For more information on TDSA and what we do, please visit our website at www.TexasDistilledSpirits.org

★ HISTORY OF TDSA ★

When the Texas Alcoholic Beverage Commission (TABC) issued the first distiller permit in 1995, a new industry of Texas handcrafted distilleries was born. From 1995 to September 2008, only eight distiller licenses were issued by TABC. Today, the industry has boomed as over 150 distillers' licenses have been issued in Texas.

Because of this rapid growth, distillers realized the need for a unified voice to ensure a successful future for the Texas craft spirits industry. Formed in 2012, the Texas Distilled Spirits Association (TDSA) serves as the official trade association for the Texas distilled spirits community.



Texas Distilled Spirits Association



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