

## **UPDATED: Friday March 20, 2020 -- Will California relax on premise spirits sales regulations at restaurants and bars in light of COVID-19?**

3/20/20 Update: Last night, Governor Newsom of California, in fact, relaxed the restrictions regarding on premise retail licensees such as restaurants and bars to assist the alcoholic beverage and hospitality industry during the Coronavirus crisis. The main takeaways are that restaurants and bars that have on premise distilled spirits licenses can now sell distilled spirits for take-out or delivery, if certain requirements are met such as being sold with prepared foods and in closed containers. Pre-mixed drinks and cocktails may now also be sold in the same manner with the same restrictions. Most interestingly, on premise retailers can now sell directly to off premise retailers which is a significant development, and a relaxing of the restrictions found in the three tier system of the United States. These temporary measures represent the most liberal developments in the three tier system since the end of Prohibition.

We are here to help answer questions or navigate this rapidly changing landscape. Contact Robert A. Rivas, [robert.rivas@rmkb.com](mailto:robert.rivas@rmkb.com). Cell: 714.788.6530, Office: 213.312.2018.

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3/19/20 Client Alert: Due to the highly regulated alcoholic beverage industry, restaurants and bars are usually on premise retail licensees. This means that customers are allowed to consume alcoholic beverages on the property of the licensee as opposed to, for example, liquor stores which are off premise licensees.

COVID-19 (Coronavirus) has led to many states ordering restaurants and bars to close to promote “social distancing” with the exception of take-out or delivery. This has caused great uncertainty in the restaurant industry, including lay-offs and furloughs. Simply said, many of our favorite restaurants, bars, and cafes may not survive.

Washington, D.C. and New York have recognized the tremendous pressure on the industry and have temporarily relaxed the strict regulations allowing on premise retailers to sell alcoholic beverages, including spirits, for take-out and delivery. Retailers must comply with new requirements, such as beverages must be sold with prepared foods and only in closed containers.

In California, on premise licensees (bars and restaurants) already have the statutory privilege to sell beer and wine to go, but distilled spirits are exempted. And, Type-75 brewpubs can only sell for off premise consumption beer that they produce on the premises.

Will California follow and allow distilled spirits? Distilled spirits have higher profit margins and account for the majority of sales of most bars and restaurants. Indications are that California is likely to do so, and is developing options to be announced soon. A related extra benefit would be that smaller and start up spirits brands that traditionally do not have access to off premise accounts will have a better chance at surviving.

Now more than ever local bars, restaurants, and other hospitality establishments will need continued support to survive. The team at Ropers is engaging with its extensive resources and leveraging our industry insight, and is monitoring ongoing developments. We will share information and guidelines as

the situation develops. We are here to help you during this difficult time – please contact Robert A. Rivas: [Robert.rivas@roppers.com](mailto:Robert.rivas@roppers.com).