



NC Spirits Association

Legislative Report
March 30, 2025

This week President Pro Tem of the Senate Phil Berger announced that he expects the Senate will present their version of the state budget around mid-April with an expectation that the chamber will vote on the bill by April 17. After an announced spring recess the week of April 21st, the House will then have an opportunity to make any monetary and policy changes to the Senate's budget bill. Differences between the House and the Senate, if any exist, will be decided by a conference committee consisting of Representatives and Senators appointed by Speaker of the House of Representatives Destin Hall and Senate President Pro Tempore Phil Berger.

Another important announcement was made this week regarding the Senate: the resignation of Senate Majority Leader Paul Newton (R-Cabarrus County). Senator Newton announced he was leaving to accept the position of General Counsel at The University of North Carolina at Chapel Hill. The Senate Republican caucus is expected to elect a new Majority Leader next week.

Senate Leader Phil Berger (R-Rockingham) has filed Senate Bill 474, also known as the DAVE Act, to create a Division of Accountability, Value, and Efficiency within State Auditor Dave Boliek's office. The state auditor is already tasked with making sure government programs are using their resources properly. Berger's new bill instructs Boliek to produce a report by the end of the year that identifies which state agencies and state positions can be dissolved. The proposed DAVE program is similar to the federal Department of Government Efficiency, or DOGE. Earlier this year, Republican House leaders created a Committee on Government Efficiency to examine state and local government operations for potential waste.

North Carolina lawmakers want to ban legal hemp products from public school grounds. Tobacco products are already banned from North Carolina public schools. The House Health Committee on Tuesday advanced House Bill 328, a bipartisan bill, that would require public school districts to also adopt a written policy prohibiting the use of Delta 8 and Delta 9 products. Delta 8 is found in trace amounts of marijuana and hemp but can be made by changing the plant's genetics to increase potency. Delta 9 is more powerful and can have psychoactive properties. The ban would also apply to school teachers and staff. The bill also rewrites state law to clarify that vaping products are included under North Carolina's existing school tobacco ban. House Bill 328 goes next to an education committee for further review.

Republican Tariq Bokhari plans to resign from the Charlotte City Council and will become the No. 2 transit official in President Donald Trump's Department of Transportation. Bokhari will serve as deputy administrator for the Federal Transit Administration, which, among other things, is responsible for awarding billions of dollars of grants for transit projects nationwide. He confirmed the news to WFAE Tuesday. His new position at the FTA comes at a critical time for the city of Charlotte. The city wants to raise the sales tax by one percentage point to pay for a multibillion-dollar transportation plan. Sixty percent of the money raised by the tax would be used to pay for new rail lines and improved bus service. Bokhari's impending resignation will

create a vacancy in an election year. Charlotte's municipal elections are scheduled for November, and he holds one of only two remaining Republican seats on the City Council. Council member Ed Driggs holds the other. The Mecklenburg County Board of Commissioners is held exclusively by Democrats. Under state law, the City Council must appoint someone from Bokhari's political party to fill the seat.

The House and Senate adjourned on Thursday and will reconvene on Monday, March 31.

BILLS OF INTEREST

House Bill 554, Rev. Laws Tech Changes/BBA Changes/P2P Tax Parity:

Section 4.2: This section amends G.S. 105-113.83A(a) to update the registration requirements for entities holding specific permits related to alcoholic beverages under North Carolina law. It mandates that individuals or businesses with permits such as wine shipper, unfortified winery, fortified winery, brewery, distillery, wine importer, wine wholesaler, malt beverages importer, malt beverages wholesaler, nonresident malt beverage vendor, nonresident wine vendor, or wine producer must register with the Secretary of Revenue. This change ensures that all relevant permit holders are accounted for and comply with state tax obligations, effective when the act becomes law unless otherwise specified.

Section 5.5: This section introduces multiple amendments to enhance compliance and enforcement related to consumable and vapor products. Subsection (a) revises G.S. 14-313(h) to clarify penalties for retailers, distributors, or wholesalers violating certification requirements, including a warning for first offenses, fines and license suspension for second offenses, and higher fines, license revocation, and product seizure for third or subsequent offenses within a 12-month period. Subsection (b) updates definitions in G.S. 143B-245.10, adding "ALE Division" and refining terms like "Secretary" to mean the Secretary of Revenue. Subsection (c) amends G.S. 143B-245.15 to shift compliance check responsibilities from the Secretary to the ALE Division, requiring unannounced checks, public reporting of results, and product seizure for non-compliance. Subsection (d) modifies G.S. 143B-245.16 to allow the Secretary to adopt enforcement rules, directs fees and penalties to specific uses (e.g., maintaining the directory by the Department of Revenue and remitting penalties to the Civil Penalty Fund), and mandates an annual legislative report starting January 31, 2026. Subsection (e) updates G.S. 143B-218 to reflect the Department of Revenue's broader duties, including non-tax functions as assigned by the General Assembly. These changes are effective when the act becomes law unless otherwise noted.

Introduced by Reps. Howard (R), Setzer (R), and N. Jackson (R).

Senate Bill 535, Regulate Hemp-Derived Beverages, establishes a regulatory framework for the manufacture, sale, and distribution of nonalcoholic beverages containing hemp-derived cannabinoids in North Carolina. The bill explicitly excludes hemp-derived beverages from the definition of "alcoholic beverages" under state law but creates separate restrictions and licensing requirements for their production and sale.

Under the bill, it is unlawful for any person to manufacture, sell, transport, import, furnish, or consume hemp-derived beverages unless authorized by state law. The bill grants the Alcoholic Beverage Control (ABC) Commission the authority to set quality and safety standards for hemp-derived beverages, including testing for harmful substances and improper formulations.

Manufacturers are required to cover the cost of testing, and the Commission may rely on federal or third-party testing data.

The legislation defines hemp-derived beverages as nonalcoholic products suitable for human consumption that contain hemp or hemp-derived cannabinoids, including various forms of THC and other compounds like CBD and CBG. The bill mandates that hemp-derived beverages be regulated similarly to alcoholic products, with corresponding licensing and enforcement provisions. It also requires the ABC Commission to adopt or amend rules to implement the new regulatory structure.

Senate Bill 535 takes effect on July 1, 2025, and applies to all transactions involving hemp-derived beverages occurring on or after that date.

Introduced by Sens. Moffitt; Johnson; Lazzara and referred to the Senate Rules Committee.

Senate Bill 552, ABC Omnibus 2025, makes a series of significant updates and technical corrections to North Carolina's alcohol laws. First, it appropriates \$309.5 million from the State Capital and Infrastructure Fund to construct a new automated warehouse for the ABC Commission, with repayment scheduled in annual installments beginning no later than July 1, 2029.

The bill also creates a new "service business permit," which allows businesses providing state-licensed services (e.g., salons or spas) to offer complimentary malt beverages or unfortified wine to clients under certain conditions. These permits come with a \$50 annual fee and are subject to the same recycling and reporting requirements as other on-premises permits.

Several changes are made to strengthen rules around recycling beverage containers, streamline registration procedures, and clarify delivery and off-premises consumption rules for wine, fortified wine, and mixed beverages. The bill authorizes restaurants, bars, and certain other permittees to sell single-serving alcoholic drinks for takeout or delivery when properly sealed and sold with food, correcting prior inconsistencies in North Carolina's open container law. Additionally, SB 552 allows counties without an ABC store to hold a mixed beverage election if a city in the same county operates an ABC store. It also prohibits the issuance of new brown-bagging permits for restaurants and requires certain establishments to surrender their existing permits before obtaining a mixed beverage permit.

Technical corrections are included for alcohol sales in airport terminals and social districts. The bill ensures that properly permitted businesses in TSA-screened areas of airports can sell and serve alcohol in designated containers, and that social district patrons may carry mixed drinks purchased from one permittee into another permitted or non-permitted establishment.

Except as otherwise specified, the bill takes effect upon becoming law, with certain provisions (e.g., changes to the open container law) effective October 1, 2025.

Introduced by Sens. Moffitt; Johnson; Hanig and referred to the Senate Rules Committee.

Senate Bill 710, DPS Agency Changes-AB, Section 4 of Senate Bill 710 strengthens the oversight authority of the North Carolina Alcoholic Beverage Control (ABC) Commission. It amends G.S. 18B-203 to explicitly grant the Commission the power to establish a method for permit holders and applicants to demonstrate compliance with all applicable local ordinances, as well as state and federal laws.

This change reinforces the Commission's authority to ensure that ABC permit applicants and licensees meet all legal requirements—not just ABC-specific regulations—before receiving or retaining a permit. It provides the Commission with an additional tool to enforce broader legal compliance across regulated entities.

Effective Date: This section takes effect October 1, 2025.

Introduced by Sens. Daniel; Britt; B. Newton and referred to the Senate Rules Committee.

BILL STATUS UPDATES

House Bill 198, Amend Law on Notice of ABC Violation, passed the House, was sent to the Senate and referred to the Senate Rules Committee.

House Bill 330, Controlled Substances Act, has passed the House with amendment and has been sent to the Senate for consideration. The bill would add various chemical substances to the list of controlled substances covered by the North Carolina Controlled Substances Act, as detailed in the bill.

For more information about legislation described in the legislative reports, feel free to contact us at chorton@maynardnexsen.com, dferrell@maynardnexsen.com, criemer@maynardnexsen.com or at (919) 573-7421. Information is also available on the General Assembly's website: www.ncleg.gov.

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