

YOUNG LAWYERS

BY ALEX VELTO, ESQ.



NEVADA WINEMAKING: A Legislative Wine Thief is Blocking Barrels of Potential

The Nevada wine industry has seen immense growth in recent years. The 2015 passage of Assembly Bill 4 cleared some of the biggest hurdles Nevada winemakers faced. Notably, it permitted them to open and operate in Clark and Washoe counties.

Nowhere is the industry's growth more apparent than in Northern Nevada. Almost immediately, Reno saw three wineries open in a shared space to blend, barrel and distribute their wine — Nevada Sunset Winery, Great Basin Winery, and Basin and Range Cellars.¹ More recently, Engine 8 Urban Winery opened in Sparks. Before 2015, this growth would not be possible. Now these wineries are making a name for themselves and showing that it is possible to make good wine in Nevada.

Sadly, Nevada failed to address a number of problems facing winemakers in 2015. They point to a few large issues that severely hamper their business. Future legislative sessions would be prudent to revisit Nevada wine laws to help Nevada's wine industry really grow. I'll isolate some of the most burdensome laws.



The one location rule is especially costly to wineries because it forces them into larger facilities. Wineries can only operate in a facility if it has enough space to produce and barrel their wine during the aging process. And, they will only succeed if that space has enough room for people to visit, taste and purchase their wine.

Nevada's One Location Rule

A winery in Nevada can only have one location.² From that one location, the winery must make, barrel, blend, taste and sell all of its wine. It can't set up shop at a farmers market or go to a local restaurant and ask them to put its wine on the menu. In many parts of the country, wineries have vineyards in rural areas and tasting rooms in densely populated areas — think of a tasting room in downtown Napa with its related winery in Saint Helena. This arrangement works well for wineries, as many people would prefer to stop into a tasting room while shopping instead of trekking to the countryside. But Nevada forbids it, leaving wineries wishing for the opportunity to have a tasting room in the city and a larger production facility in a less-expensive part of town.

Oregon wine law could serve as a model for Nevada. There, wineries may have locations separate from their production facilities.³ There are seven tasting rooms in downtown Portland alone.⁴ Oregon has also become a destination for wine drinkers, something to which Nevada should aspire.

While Nevada's one location rule becomes a two location rule on October 1, 2025,⁵ that is not enough. Starting then, wineries may serve and distribute at their location and one other. Wineries will still not be able to distribute to restaurants or sell at farmers markets. They will be required to produce wine on the winery's premises only. A two location rule also prevents the ideal winery model in Nevada, in which a winery has a vineyard where it produces

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wine and tasting rooms in both Las Vegas and Reno. Nevada should allow its industry to grow by getting rid of an overly restrictive location rule on wineries.

Nevada's One Alcohol Rule

Wineries in Nevada may only serve the wine they produce; they may not serve any other types of alcohol.⁶ At first glance this law is intuitive. Why would a winery need to sell other types of alcohol? In practice it prevents Nevada wineries from reaching their potential. In many parts of the country, wineries are used for weddings and special events. Vineyards are beautiful places. There are few things better than being surrounded by vines or wine-filled oak barrels. But, not everyone drinks wine. The one alcohol rule forces consumers who would otherwise consider wineries for events to look elsewhere, because the law is inconsistent with consumer demands.

Nevada should consider a system that allows wineries to obtain special permits to serve other types of alcohol. While limited special event liquor licenses can be acquired in Nevada,⁷ Nevada law pre-empts municipalities from approving such permits at wineries. So that wineries can expand their business model to include events, Nevada should either get rid of the one alcohol rule or expressly permit special licensing for certain events. Winemaking is not an overnight process. It takes years for vines to mature and yield enough grapes to produce wine. It's also an expensive industry to enter, requiring, among other things, land, water rights and overcoming licensing hurdles. This situation puts Nevada at a crossroads. It can either become a wine destination with winery-friendly laws, or it can limit itself with laws that burden the industry. Wineries and organizations like Nevada Vines & Wines have and will be at the forefront of these changes.⁸ If Nevada fails to help wineries prosper, we risk losing an industry that can help diversify the economy. That's not the Nevada I know.

1. <https://grapebasinnews.com/2018/07/renos-4th-street-winemakers-offer-sips-and-tips-at-third-thursday-event/>
2. NRS 597.240(3)
3. ORS 215.452(2)(b)(a)(2017)
4. https://www.winesnw.com/nwill_portland_map.html
5. NRS 597.240(3)(a)
6. NRS 597.040(4)
7. See e.g., LVMC 12.02.200
8. <http://www.nvandw.com/>

ALEX VELTO will join Hutchison & Steffen as an associate in the fall, where he will work in the administrative law, and labor and employment practice groups. The firm has a large administrative law practice group that helps businesses navigate complex regulatory and licensing systems. He can be reached at hutchlegal.com.

The State Bar of Nevada Board of Governors and the Access to Justice Commission extend a special thanks to the following attorneys who generously accepted cases through the Legal Aid Center of Southern Nevada, Washoe Legal Services, Nevada Legal Services and Volunteer Attorneys for Rural Nevadans, and those who donated their time to work at events like Ask-A-Lawyer and Lawyer in the Library.

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