

Revised Liquor License Laws Provide New Potential Business Opportunities in New Jersey

Client Alert

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What You Need to Know

- New Jersey has revised the state's liquor laws in a move that is expected to provide some significant new business opportunities on a variety of fronts.
- Enacted on January 16, 2024, the legislation substantially revises NJ liquor law licenses for the first time in nearly a century, since the end of Prohibition.
- The new law has provisions that are effective immediately to promote craft breweries and distilleries, as well as further provisions effective in seven months to revitalize inactive licenses and provide new licenses for shopping centers.

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On January 16, 2024, New Jersey enacted legislation that is expected to substantially boost the number of available liquor licenses statewide, and ease restrictions on craft breweries. The new law has provisions that are effective immediately to promote craft breweries and distilleries, and further provisions effective in seven months to revitalize inactive licenses and to provide new licenses for shopping centers. Governor Phil Murphy projects that the new law, which represents the first substantial revision to New Jersey's liquor license laws in nearly a century, could inject as many as 1,356 licenses back into the market and up to 100 new licenses for food and beverage establishments in shopping centers.

Promoting Craft Breweries and Distilleries

The legislation provides new opportunities for food services and hosting events for certain craft manufacturers, such as holders of limited brewery licenses (up to 300,000 31-gallon barrels per year), cider and meadery licenses

(up to 50,000 31-gallon barrels of hard cider and 250,000 gallons of mead per year) and craft distillery licenses (up to 20,000 gallons of distilled alcoholic beverages). While these licensees previously could not sell food or operate a restaurant on the licensed premises, they are now allowed to sell snacks and non-alcoholic beverages to customers and may coordinate with outside vendors and food trucks to provide food in outdoor spaces. The licensees can also host an unlimited number of on-premises special events and private parties, host up to 25 off-premises special events, and participate in up to 25 events hosted by the holder of a social affairs permit.

The new law also permits holders of restricted brewery licenses to brew up to 300,000 31-gallon barrels per year and to sell 50% of the beer that is produced on premises directly to retailers rather than having to rely solely on wholesalers. There is also a new farm brewery license allowing the sale of up to 2,500 31-gallon barrels per year for brewers who are actively engaged in farming on or adjacent to the brewery premises, and where the brews are substantially produced from hops or other ingredients grown on the farm.

Revitalizing Inactive Licenses

The new law targets inactive licenses associated with a specific location but that are not in use, and pocket licenses that have been purchased but are not attached to a specific location, in order to bring these back into the market after the owner of the license has been given an opportunity to activate the license.

This is a critically important change in the law for those licensees holding inactive (i.e. "in-pocket") licenses. Under previous law, licensees holding inactive licenses could renew their licenses in inactive status almost indefinitely.

Municipalities can work with neighboring municipalities to transfer an inactive license in order to provide a productive use of the license. A "receiving" municipality that has issued its maximum number of licenses may request proposals to acquire an additional inactive license in a contiguous "sending" municipality, in order to use the inactive license in connection with a premises in a redevelopment area. The transfer of the license will be subject to public bidding, and the governing body of both municipalities must approve the transfer.

The legislation also provides that pocket licenses not associated with a particular location cannot be retained indefinitely. If a pocket license is not used for two consecutive years (subject to extension in certain circumstances) the license holder will now be required to either use the license or sell it, or alternatively the license can be transferred from the municipality to a contiguous municipality. The State director will oversee the transfers of inactive licenses and transfers will be phased over a four-year period based on the period of inactivity.

Further, if an inactive license has lapsed and not been renewed for eight years, the municipality can issue a new license.

The Governor's office states that these revisions could inject as many as 1,356 licenses back into the market, a roughly 15% increase over the 8,905 active licenses presently being used.

Providing New Licenses for Shopping Centers

Effective seven months from enactment, the new law will allow municipalities to issue new licenses for food and beverage establishments in shopping malls, with up to two new licenses in centers with a minimum of 750,000 square feet and up to four new licenses in centers with a minimum of 1.5 million square feet. These provisions

apply only to enclosed shopping malls and not to outdoor strip malls. The Governor's office estimates that this could potentially provide up to 100 new licenses to bolster the survival of malls.

Please contact the authors of this Alert with questions concerning the changes to New Jersey's liquor laws, selling or activating your inactive licenses, or to discuss potential licensing opportunities, compliance issues or other topics that may impact your business operations.

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