

HOSPITALITY AND TOURISM

INFORMATION MEMO

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What Entities and Individuals Need to Be Disclosed to the Liquor Authority in an Application for a Liquor License

Many businesses today have a more complicated corporate structure than they did in the past. At the time when many of the current provisions of the New York Alcoholic Beverage Control Law were adopted in the 1930s, holding companies and complicated ownership structures were probably less common than they are today.

Now, however, many entities that are seeking liquor licenses have parent entities, subsidiaries and a large number of owners.

In addition, it is now common for more than one entity to be responsible for the operation of the business. For example, many hotels are now owned by one entity but managed by a professional third-party management company.

When a business is considering applying for any kind of liquor license, it should start by considering the following questions:

- Is there more than one entity (like a corporation, LLC or limited partnership) involved with the business? If so:
 - Which entity owns the real property and the building?
 - Which entity is responsible for general oversight of the day to day operation of the business?
 - Which entity is responsible for oversight of food and alcohol sales and service?
 - Which entity is the employer of the people working at the premises?
 - Which entity or entities are keeping profits from operations? What percentage of the profits is going to each entity?

Once the above questions have been considered, it can be determined which entity or entities have to be the “licensee” and apply for the liquor license.

At that point, it is important to figure out how each licensee entity is owned. If the shareholders (if a corporation) or the members or managers (if an LLC) are entities instead of individuals, it is important to create an organizational chart to demonstrate how the licensee entity is owned. The chart must show all entities that are in the “chain” of ownership until you get all the way “up” to the individual owners.

Once those individuals are identified, the next step is to calculate how much of the licensee entity or entities each individual owns. For example, if Mr. Smith own 50% of Parent Corp., Inc. and Parent Corp., Inc. owns 50% of XYZ Corp., Inc. which is applying for a liquor license, Mr. Smith owns 25% of XYZ Corp., Inc. (.5x.5=.25).

The next step in the process is to determine which of those individuals need to be reported as “principals” of each licensed entity. “Principals” are the people who will be required to provide personal information to the Liquor Authority in connection with the application. They will need to be electronically fingerprinted and they will be listed on the Liquor Authority’s public database as a “principal” of that liquor license.

The Liquor Authority issued guidance about who needs to be a “principal” in Advisory #2022-13. If the applicant is a for-profit corporation, the following people must be “principals”:

- President (or equivalent title)
- Treasurer (or equivalent title)
- Chief Executive Officer (or equivalent title)
- Anyone who owns 10% or more of the corporation either directly (as a shareholder) or through his or her ownership of another entity that is a shareholder in the corporation

If the applicant is an LLC, the following people must be “principals”:

- Managing Member
- Anyone who owns 10% or more of the applicant entity, either as a member or as the owner of another entity that is a member of the applicant LLC

If the applicant is a partnership, the following people must be “principals”:

- All partners
- Anyone who owns 10% or more of the applicant partnership, either directly or through ownership of another entity that is a partner

If the applicant is a not-for-profit corporation, the following must be listed as “principals”:

- President (or equivalent title)
- Treasurer (or equivalent title)
- Secretary (or equivalent title)
- Chief Executive Officer (or equivalent title)
- If the not-for-profit is applying for a club license, the appointed Alcoholic Beverage Officer must also be a principal

Any lender providing, directly or indirectly, by gift or loan, 10% or more of the funds being invested into the business must submit a personal questionnaire, but won’t necessarily have to be a “principal.”

The following individuals are not eligible to be “principals”:

- Under the age of 21
- Not a U.S. citizen or legal permanent resident
- Has certain prior criminal convictions
- Has been a principal (or a licensee) of a liquor license that was previously revoked or canceled

In addition, “tied house” considerations may be important. If the applicant is applying for a “retail” liquor license (like a restaurant or bar), it can’t have principals who hold, or are principals of an entity that holds, a manufacturing or wholesale license (like a winery, brewery or distillery). The reverse is also true.

In addition, “principals” should be aware of the following:

1. They will need to provide their social security number as well as their spouse’s social security number. If their spouse is a “prohibited” person as listed above, that can present issues.
2. Their name will be disclosed in the Liquor Authority’s public database as a principal and, therefore, if the business faces a lawsuit such as a Dram Shop Act suit (arising from allegations that someone was over-served alcohol and caused harm while intoxicated), they may be named in the suit.
3. If they have other businesses with liquor licenses that they are listed as a principal of, a disciplinary charge for one business can create problems for the others.

[Jennifer Tsyn](#) represents businesses and individuals in a variety of business law matters, with a focus on liquor licensing issues. If you have any questions about this information memo, please contact Jennifer or any member of Bond’s [hospitality and tourism practice](#).

