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HOUSE BILL NO. 1093

Offered January 24, 2000

A BILL to amend and reenact §§ 4.1-100, 4.1-208, 4.1-219, and 4.1-231 of the Code of Virginia, relating to alcoholic beverage control; farm winery licenses.

Patron—Dudley

Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:

1. That §§ 4.1-100, 4.1-208, 4.1-219, and 4.1-231 of the Code of Virginia are amended and reenacted as follows:

§ 4.1-100. Definitions.

As used in this title unless the context requires a different meaning:

"Alcohol" means the product known as ethyl or grain alcohol obtained by distillation of any fermented liquor, rectified either once or more often, whatever the origin, and shall include synthetic ethyl alcohol, but shall not include methyl alcohol and alcohol completely denatured in accordance with formulas approved by the government of the United States.

"Alcoholic beverages" includes alcohol, spirits, wine, and beer, and any one or more of such varieties containing one-half of one percent or more of alcohol by volume, including mixed alcoholic beverages, and every liquid or solid, patented or not, containing alcohol, spirits, wine, or beer and capable of being consumed by a human being. Any liquid or solid containing more than one of the four varieties shall be considered as belonging to that variety which has the higher percentage of alcohol, however obtained, according to the order in which they are set forth in this definition.

"Barrel" means any container or vessel having a capacity of more than forty-three ounces.

"Bed and breakfast establishment" means any establishment (i) having no more than fifteen bedrooms; (ii) offering to the public, for compensation, transitory lodging or sleeping accommodations; and (iii) offering at least one meal per day, which may but need not be breakfast, to each person to whom overnight lodging is provided.

"Beer" means any alcoholic beverage obtained by the fermentation of an infusion or decoction of barley, malt, and hops or of any similar products in drinkable water and containing one-half of one percent or more of alcohol by volume.

"Board" means the Virginia Alcoholic Beverage Control Board.

"Bottle" means any vessel intended to contain liquids and having a capacity of not more than forty-three ounces.

"Club" means any private nonprofit corporation or association which is the owner, lessee, or occupant of an establishment operated solely for a national, social, patriotic, political, athletic, or other like purpose, but not for pecuniary gain, the advantages of which belong to all of the members. It also means the establishment so operated. A corporation or association shall not lose its status as a club because of the conduct of charitable gaming conducted pursuant to Article 1.1:1 (§ 18.2-340.15 et seq.) of Chapter 8 of Title 18.2 in which nonmembers participate frequently or in large numbers, provided that no alcoholic beverages are served or consumed in the room where such charitable gaming is being conducted while such gaming is being conducted and that no alcoholic beverages are made available upon the premises to any person who is neither a member nor a bona fide guest of a member.

Any such corporation or association which has been declared exempt from federal and state income taxes as one which is not organized and operated for pecuniary gain or profit shall be deemed a nonprofit corporation or association.

"Container" means any barrel, bottle, carton, keg, vessel or other receptacle used for holding alcoholic beverages.

"Convenience grocery store" means an establishment which (i) has an enclosed room in a permanent structure where stock is displayed and offered for sale and (ii) maintains an inventory of edible items intended for human consumption consisting of a variety of such items of the types normally sold in grocery stores.

"Designated area" means a room or area approved by the Board for on-premises licensees.

"Dining area" means a public room or area in which meals are regularly served.

"Establishment" means any place where alcoholic beverages of one or more varieties are lawfully manufactured, sold, or used.

"Farm winery" means an establishment (i) located on a farm in the Commonwealth with a producing vineyard, orchard, or similar growing area and with facilities for fermenting and bottling wine on the

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premises where the owner or lessee manufactures wine that contains not more than fourteen percent alcohol by volume; *or (ii) located in the Commonwealth with a producing vineyard, orchard, or similar growing area or agreements for purchasing grapes or other fruits from agricultural growers within the Commonwealth, and with facilities for fermenting and bottling wine on the premises where the owner or lessee manufactures wine that contains not more than fourteen percent alcohol by volume.* As used in this definition, the terms "owner" and "lessee" shall include a cooperative formed by an association of individuals for the purpose of manufacturing wine. In the event such cooperative is licensed as a farm winery, the term "farm" as used in this definition includes all of the land owned or leased by the individual members of the cooperative as long as such land is located in the Commonwealth.

"Gift shop" means any bona fide retail store selling, predominantly, gifts, books, souvenirs, specialty items relating to history, original and handmade arts and products, collectibles, crafts, and floral arrangements, which is open to the public on a regular basis. Such shop shall be a permanent structure where stock is displayed and offered for sale and which has facilities to properly secure any stock of wine or beer. Such shop may be located (i) on the premises or grounds of a government registered national, state or local historic building or site or (ii) within the premises of a museum. The Board shall consider the purpose, characteristics, nature, and operation of the shop in determining whether it shall be considered a gift shop.

"Gourmet brewing shop" means an establishment which sells to persons to whom wine or beer may lawfully be sold, ingredients for making wine or brewing beer, including packaging, and rents to such persons facilities for manufacturing, fermenting and bottling such wine or beer.

"Gourmet shop" means an establishment provided with adequate inventory, shelving, and storage facilities, where, in consideration of payment, substantial amounts of domestic and imported wines and beers of various types and sizes and related products such as cheeses and gourmet foods are habitually furnished to persons.

"Government store" means a store established by the Board for the sale of alcoholic beverages.

"Hotel" means any duly licensed establishment, provided with special space and accommodation, where, in consideration of payment, food and lodging are habitually furnished to persons, and which has four or more bedrooms. It shall also mean the person who operates such hotel.

"Interdicted person" means a person to whom the sale of alcoholic beverages is prohibited by order pursuant to this title.

"Intoxicated" means a condition in which a person has drunk enough alcoholic beverages to observably affect his manner, disposition, speech, muscular movement, general appearance or behavior.

"Licensed" means the holding of a valid license issued by the Board.

"Licensee" means any person to whom a license has been granted by the Board.

"Low alcohol beverage cooler" means a drink containing one-half of one percent or more of alcohol by volume, but not more than seven and one-half percent alcohol by volume, and consisting of spirits mixed with nonalcoholic beverages or flavoring or coloring materials; it may also contain water, fruit juices, fruit adjuncts, sugar, carbon dioxide, preservatives or other similar products manufactured by fermenting fruit or fruit juices. Low alcohol beverage coolers shall be treated as wine for all purposes of this title; except that low alcohol beverage coolers shall not be sold in localities that have not approved the sale of mixed beverages pursuant to § 4.1-124. In addition, low alcohol beverage coolers shall not be sold for on-premises consumption other than by mixed beverage licensees.

"Meals" means, for a mixed beverage license, an assortment of foods commonly ordered in bona fide, full-service restaurants as principal meals of the day. Such restaurants shall include establishments specializing in full course meals with a single substantial entree.

"Member of a club" means (i) a person who maintains his membership in the club by the payment of monthly, quarterly, or annual dues in the manner established by the rules and regulations thereof or (ii) a person who is a member of a bona fide auxiliary, local chapter, or squadron composed of direct lineal descendants of a bona fide member, whether alive or deceased, of a national or international organization to which an individual lodge holding a club license is an authorized member in the same locality. It shall also mean a lifetime member whose financial contribution is not less than ten times the annual dues of resident members of the club, the full amount of such contribution being paid in advance in a lump sum.

"Mixed beverage" or "mixed alcoholic beverage" means a drink composed in whole or in part of spirits.

"Mixer" means any prepackaged ingredients containing beverages or flavoring or coloring materials, and which may also contain water, fruit juices, fruit adjuncts, sugar, carbon dioxide, or preservatives which are not commonly consumed unless combined with alcoholic beverages, whether or not such ingredients contain alcohol. Such specialty beverage product shall be manufactured or distributed by a Virginia corporation.

"Place or premises" means the real estate, together with any buildings or other improvements thereon, designated in the application for a license as the place at which the manufacture, bottling, distribution,

use or sale of alcoholic beverages shall be performed, except that portion of any such building or other improvement actually and exclusively used as a private residence.

"Public place" means any place, building, or conveyance to which the public has, or is permitted to have, access, including restaurants, soda fountains, hotel dining areas, lobbies, and corridors of hotels, and any highway, street, lane, park, or place of public resort or amusement.

The term shall not include (i) hotel or restaurant dining areas or ballrooms while in use for private meetings or private parties limited in attendance to members and guests of a particular group, association or organization; (ii) restaurants licensed by the Board in office buildings or industrial or similar facilities while such restaurant is closed to the public and in use for private meetings or parties limited in attendance to employees and nonpaying guests of the owner or a lessee of all or part of such building or facility; (iii) offices, office buildings or industrial facilities while closed to the public and in use for private meetings or parties limited in attendance to employees and nonpaying guests of the owner or a lessee of all or part of such building or facility; or (iv) private recreational or chartered boats which are not licensed by the Board and on which alcoholic beverages are not sold.

"Residence" means any building or part of a building or structure where a person resides, but does not include any part of a building which is not actually and exclusively used as a private residence, nor any part of a hotel or club other than a private guest room thereof.

"Resort complex" means a facility (i) with a hotel owning year-round sports and recreational facilities located contiguously on the same property or (ii) owned by a nonstock, nonprofit, taxable corporation with voluntary membership which, as its primary function, makes available golf, ski and other recreational facilities both to its members and the general public. The hotel or corporation shall have a minimum of 140 private guest rooms or dwelling units contained on not less than 50 acres. The Board may consider the purpose, characteristics, and operation of the applicant establishment in determining whether it shall be considered as a resort complex. All other pertinent qualifications established by the Board for a hotel operation shall be observed by such licensee.

"Restaurant" means, for a beer, or wine and beer license, any establishment provided with special space and accommodation, where, in consideration of payment, meals or other foods prepared on the premises are regularly sold.

"Restaurant" means, for a mixed beverage license, an established place of business (i) where meals with substantial entrees are regularly sold and (ii) which has adequate facilities and sufficient employees for cooking, preparing, and serving such meals for consumption at tables in dining areas on the premises, and includes establishments specializing in full course meals with a single substantial entree.

"Sale" and "sell" includes soliciting or receiving an order for; keeping, offering or exposing for sale; peddling, exchanging or bartering; or delivering otherwise than gratuitously, by any means, alcoholic beverages.

"Special agent" means an employee of the Department of Alcoholic Beverage Control whom the Board has designated as a law-enforcement officer pursuant to § 4.1-105.

"Special event" means an event sponsored by a duly organized nonprofit corporation or association and conducted for an athletic, charitable, civic, educational, political, or religious purpose.

"Spirits" means any beverage which contains alcohol obtained by distillation mixed with drinkable water and other substances, in solution, and includes, among other things, brandy, rum, whiskey, and gin, or any one or more of the last four named ingredients; but shall not include any such liquors completely denatured in accordance with formulas approved by the United States government.

"Wine" means any alcoholic beverage obtained by the fermentation of the natural sugar content of fruits or other agricultural products containing (i) sugar, including honey and milk, either with or without additional sugar; (ii) one-half of one percent or more of alcohol by volume; and (iii) no product of distillation. The term includes any wine to which wine spirits have been added, as provided in the Internal Revenue Code, to make products commonly known as "fortified wine" which do not exceed an alcohol content of twenty-one percent by volume.

"Wine cooler" means a drink containing one-half of one percent or more of alcohol by volume, and not more than three and two-tenths percent of alcohol by weight or four percent by volume consisting of wine mixed with nonalcoholic beverages or flavoring or coloring materials, and which may also contain water, fruit juices, fruit adjuncts, sugar, carbon dioxide, or preservatives and shall include other similar products manufactured by fermenting fruit or fruit juices. Wine coolers and similar fermented fruit juice beverages shall be treated as wine for all purposes except for taxation under § 4.1-236.

"With or without meals" means the selling and serving of alcoholic beverages by retail licensees for on-premises consumption whether or not accompanied by food so long as the total food-beverage ratio required by § 4.1-210, or the monthly food sale requirement established by Board regulation, is met by such retail licensee.

§ 4.1-207. Wine licenses.

The Board may grant the following licenses relating to wine:

183 1. Winery licenses, which shall authorize the licensee to manufacture wine and to sell and deliver or
184 ship the wine, in accordance with Board regulations, in closed containers, to persons licensed to sell the
185 wine so manufactured at wholesale for the purpose of resale, and to persons outside the Commonwealth
186 for resale outside the Commonwealth. In addition, such license shall authorize the licensee to operate
187 distilling equipment on the premises of the licensee in the manufacture of spirits from fruit or fruit
188 juices only, which shall be used only for the fortification of wine produced by the licensee.

189 2. Wholesale wine licenses, which shall authorize the licensee to acquire and receive deliveries and
190 shipments of wine and to sell and deliver or ship the wine, in accordance with Board regulations, in
191 closed containers, to (i) persons licensed to sell such wine in the Commonwealth, (ii) persons outside
192 the Commonwealth for resale outside the Commonwealth, (iii) religious congregations for use only for
193 sacramental purposes, and (iv) owners of boats registered under the laws of the United States sailing for
194 ports of call of a foreign country or another state.

195 No wholesale wine licensee shall purchase wine for resale from a person outside the Commonwealth
196 who does not hold a wine importer's license unless such wholesale wine licensee holds a wine importer's
197 license and purchases wine for resale pursuant to the privileges of such wine importer's license.

198 3. Wine importers' licenses, which shall authorize persons located within or outside the
199 Commonwealth to sell and deliver or ship wine, in accordance with Board regulations, in closed
200 containers, to persons in the Commonwealth licensed to sell wine at wholesale for the purpose of resale,
201 and to persons outside the Commonwealth for resale outside the Commonwealth.

202 4. Retail off-premises winery licenses to persons holding winery licenses, which shall authorize the
203 licensee to sell wine at the place of business designated in the winery license, in closed containers, for
204 off-premises consumption and to deliver or ship the wine to the purchasers in accordance with Board
205 regulations.

206 5. Farm winery licenses, which shall authorize the licensee to manufacture wine containing fourteen
207 percent or less of alcohol by volume and to sell, deliver or ship the wine, in accordance with Board
208 regulations, in closed containers, to (i) the Board, (ii) persons licensed to sell the wine so manufactured
209 at wholesale or retail for the purpose of resale, § 4.1-326 notwithstanding, or (iii) persons outside the
210 Commonwealth. In addition, the licensee may acquire and receive deliveries and shipments of wine
211 manufactured by the licensee and to sell and deliver or ship this wine, in accordance with Board
212 regulations, to persons licensed to sell wine in the Commonwealth, § 4.1-326 notwithstanding. *For the*
213 *purposes of this title, a farm winery license shall be designated either as a Class A or Class B farm*
214 *winery license in accordance with the limitations set forth in § 4.1-219.*

215 Such licenses shall also authorize the licensee to sell wine at retail at the places of business
216 designated in the licenses, which may include no more than two additional retail establishments of the
217 licensee. Wine may be sold at these business places for on-premises consumption and in closed
218 containers for off-premises consumption, including delivery and shipment of such wine to purchasers in
219 accordance with Board regulations.

220 § 4.1-219. Limitation on Class A and Class B farm wineries.

221 ~~At~~For Class B farm winery licensees, at least fifty-one percent of the fresh fruits or agricultural
222 products used by the owner or lessee to manufacture the wine shall be grown or produced on such farm
223 and no more than twenty-five percent of the fruits, fruit juices or other agricultural products shall be
224 grown or produced outside the Commonwealth.

225 *For Class A farm winery licensees, seventy-five percent of the fresh fruits or agricultural products*
226 *used by the owner or lessee to manufacture the wine shall be grown or produced in the Commonwealth*
227 *and no more than twenty-five percent of the fruits, fruit juices or other agricultural products shall be*
228 *grown or produced outside the Commonwealth.*

229 However, upon petition by the Department of Agriculture and Consumer Services, the Board may
230 permit the use of a greater quantity of out-of-state products if supplies grown or produced in the
231 Commonwealth are insufficient for a farm winery licensee, *whether Class A or Class B*, to achieve the
232 level of production which otherwise could be anticipated during a given license year. As used in this
233 section, the terms "owner" and "lessee" shall include a cooperative formed by an association of
234 individuals for the purpose of manufacturing wine. In the event such cooperative is licensed as a farm
235 winery, the term "farm" as used in this section includes all of the land owned or leased by the
236 individual members of the cooperative as long as such land is located in the Commonwealth.

237 § 4.1-231. Taxes on state licenses.

238 A. The annual taxes on state licenses shall be as follows:

239 1. Alcoholic beverage licenses. For each:

240 a. Distiller's license, if not more than 5,000 gallons of alcohol or spirits, or both, manufactured
241 during the year in which the license is granted, \$350; and if more than 5,000 gallons manufactured
242 during such year, \$2,860;

243 b. Fruit distiller's license, \$2,860;

244 c. Banquet facility license or museum license, \$145;

- 245 d. Bed and breakfast establishment license, \$25;
- 246 e. Tasting license, \$30 per license granted; and
- 247 f. Equine sporting event license, \$100.
- 248 2. Wine licenses. For each:
- 249 a. Winery license, if not more than 5,000 gallons of wine manufactured during the year in which the
- 250 license is granted, \$350, and if more than 5,000 gallons manufactured during such year, \$2,860;
- 251 b. Wholesale wine license, \$715 for any wholesaler who sells 150,000 gallons of wine or less per
- 252 year, \$1,100 for any wholesaler who sells more than 150,000 but not more than 300,000 gallons of wine
- 253 per year, and \$1,430 for any wholesaler who sells more than 300,000 gallons of wine per year;
- 254 c. Wine importer's license, \$285;
- 255 d. Retail off-premises winery license, \$110; and
- 256 e. Farm winery license, \$145 *for any Class B license and \$2,860 for any Class A license.*
- 257 3. Beer licenses. For each:
- 258 a. Brewery license, if not more than 10,000 barrels of beer manufactured during the year in which
- 259 the license is granted, \$1,650, and if more than 10,000 barrels manufactured during such year, \$3,300;
- 260 b. Bottler's license, \$1,100;
- 261 c. Wholesale beer license, \$715 for any wholesaler who sells 300,000 cases of beer a year or less,
- 262 and \$1,100 for any wholesaler who sells more than 300,000 but not more than 600,000 cases of beer a
- 263 year, and \$1,430 for any wholesaler who sells more than 600,000 cases of beer a year;
- 264 d. Beer importer's license, \$285;
- 265 e. Retail on-premises beer license to a hotel, restaurant, club or other person, except a common
- 266 carrier of passengers by train or boat, \$110; for each such license to a common carrier of passengers by
- 267 train or boat, \$110 per annum for each of the average number of boats, dining cars, buffet cars or club
- 268 cars operated daily in the Commonwealth;
- 269 f. Retail off-premises beer license, \$90; and
- 270 g. Retail on-and-off premises beer license to a hotel, restaurant, club or grocery store located in a
- 271 town or in a rural area outside the corporate limits of any city or town, \$230.
- 272 4. Wine and beer licenses. For each:
- 273 a. Retail on-premises wine and beer license to a hotel, restaurant, club or other person, except a
- 274 common carrier of passengers by train, boat or airplane, \$230; for each such license to a common
- 275 carrier of passengers by train or boat, \$230 per annum for each of the average number of boats, dining
- 276 cars, buffet cars or club cars operated daily in the Commonwealth, and for each such license granted to
- 277 a common carrier of passengers by airplane, \$575;
- 278 b. Retail on-premises wine and beer license to a hospital, \$110;
- 279 c. Retail off-premises wine and beer license, including each gift shop, gourmet shop and convenience
- 280 grocery store license, \$175;
- 281 d. Retail on-and-off premises wine and beer license to a hotel, restaurant or club, \$460;
- 282 e. Banquet license, \$30 per license granted by the Board; and
- 283 f. Gourmet brewing shop license, \$175.
- 284 5. Mixed beverage licenses. For each:
- 285 a. Mixed beverage restaurant license granted to persons operating restaurants, including restaurants
- 286 located on premises of and operated by hotels or motels, or other persons:
- 287 (i) With a seating capacity at tables for up to 100 persons, \$430;
- 288 (ii) With a seating capacity at tables for more than 100 but not more than 150 persons, \$750; and
- 289 (iii) With a seating capacity at tables for more than 150 persons, \$1,100.
- 290 b. Mixed beverage restaurant license for restaurants located on the premises of and operated by
- 291 private, nonprofit clubs:
- 292 (i) With an average yearly membership of not more than 200 resident members, \$575;
- 293 (ii) With an average yearly membership of more than 200 but not more than 500 resident members,
- 294 \$1,430; and
- 295 (iii) With an average yearly membership of more than 500 resident members, \$2,125.
- 296 c. Mixed beverage caterer's license, \$1,430.
- 297 d. Mixed beverage special events license, \$35 for each day of each event.
- 298 e. Mixed beverage club events licenses, \$25 for each day of each event.
- 299 f. Annual mixed beverage special events license, \$430.
- 300 g. Mixed beverage carrier license:
- 301 (i) \$145 for each of the average number of dining cars, buffet cars or club cars operated daily in the
- 302 Commonwealth by a common carrier of passengers by train;
- 303 (ii) \$430 for each common carrier of passengers by boat; and
- 304 (iii) \$1,135 for each license granted to a common carrier of passengers by airplane.
- 305 6. Temporary licenses. For each temporary license authorized by § 4.1-211, one-half of the tax

306 imposed by this section on the license for which the applicant applied.

307 B. The tax on each such license, except banquet and mixed beverage special events licenses, shall be
308 subject to proration to the following extent: If the license is granted in the second quarter of any year,
309 the tax shall be decreased by one-fourth; if granted in the third quarter of any year, the tax shall be
310 decreased by one-half; and if granted in the fourth quarter of any year, the tax shall be decreased by
311 three-fourths.

312 If the license on which the tax is prorated is a distiller's license to manufacture not more than 5,000
313 gallons of alcohol or spirits, or both, during the year in which the license is granted, or a winery license
314 to manufacture not more than 5,000 gallons of wine during the year in which the license is granted, the
315 number of gallons permitted to be manufactured shall be prorated in the same manner.

316 Should the holder of a distiller's license or a winery license to manufacture not more than 5,000
317 gallons of alcohol or spirits, or both, or wine, apply during the license year for an unlimited distiller's or
318 winery license, such person shall pay for such unlimited license a license tax equal to the amount that
319 would have been charged had such license been applied for at the time that the license to manufacture
320 less than 5,000 gallons of alcohol or spirits or wine, as the case may be, was granted, and such person
321 shall be entitled to a refund of the amount of license tax previously paid on the limited license.

322 Notwithstanding the foregoing, the tax on each license granted or reissued for a period of less than
323 twelve months shall be equal to one-twelfth of the taxes required by subsection A computed to the
324 nearest cent, multiplied by the number of months in the license period.

325 C. Nothing in this chapter shall exempt any licensee from any state merchants' license or state
326 restaurant license or any other state tax. Every licensee, in addition to the taxes imposed by this chapter,
327 shall be liable to state merchants' license taxation and state restaurant license taxation and other state
328 taxation the same as if the alcoholic beverages were nonalcoholic. In ascertaining the liability of a beer
329 wholesaler to merchants' license taxation, however, and in computing the wholesale merchants' license
330 tax on a beer wholesaler, the first \$163,800 of beer purchases shall be disregarded; and in ascertaining
331 the liability of a wholesale wine distributor to merchants' license taxation, and in computing the
332 wholesale merchants' license tax on a wholesale wine distributor, the first \$163,800 of wine purchases
333 shall be disregarded.