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HOUSE BILL NO. 2300

Offered January 17, 2013

A *BILL to amend and reenact §§ 4.1-201 and 4.1-215 of the Code of Virginia, relating to alcoholic beverage control; tied house exception.*

Patron—Watson

Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:

1. That §§ 4.1-201 and 4.1-215 of the Code of Virginia are amended and reenacted as follows:

§ 4.1-201. Conduct not prohibited by this title; limitation.

A. Nothing in this title or any Board regulation adopted pursuant thereto shall prohibit:

1. Any club licensed under this chapter from keeping for consumption by its members any alcoholic beverages lawfully acquired by such members, provided the alcoholic beverages are not sold, dispensed or given away in violation of this title.

2. Any person from having grain, fruit or fruit products and any other substance, when grown or lawfully produced by him, distilled by any distillery licensee, and selling the distilled alcoholic beverages to the Board or selling or shipping them to any person outside of the Commonwealth in accordance with Board regulations. However, no alcoholic beverages so distilled shall be withdrawn from the place where distilled except in accordance with Board regulations.

3. Any person licensed to manufacture and sell, or either, in the Commonwealth or elsewhere, alcoholic beverages other than wine or beer, from soliciting and taking orders from the Board for such alcoholic beverages.

4. The receipt by a person operating a licensed brewery of deliveries and shipments of beer in closed containers or the sale, delivery or shipment of such beer, in accordance with Board regulations to (i) persons licensed to sell beer at wholesale, (ii) persons licensed to sell beer at retail for the purpose of resale only as provided in subdivision B 4 of § 4.1-216, (iii) owners of boats registered under the laws of the United States sailing for ports of call of a foreign country or another state, and (iv) persons outside the Commonwealth for resale outside the Commonwealth.

5. The granting of any retail license to a brewery, *distillery*, or winery licensee, or to an applicant for such license, or to a lessee of such person, a wholly owned subsidiary of such person, or its lessee, provided the places of business or establishments for which the retail licenses are desired are located upon the premises occupied or to be occupied by such *distillery*, winery, or brewery, or upon property of such person contiguous to such premises, or in a development contiguous to such premises owned and operated by such person or a wholly owned subsidiary.

6. The receipt by a distillery licensee of deliveries and shipments of alcoholic beverages, other than wine and beer, in closed containers from other distilleries, or the sale, delivery or shipment of such alcoholic beverages, in accordance with Board regulations, to the Board and to persons outside the Commonwealth for resale outside the Commonwealth.

7. The receipt by a farm winery or winery licensee of deliveries and shipments of wine in closed containers from other wineries or farm wineries located inside or outside the Commonwealth, or the receipt by a winery licensee or farm winery licensee of deliveries and shipments of spirits distilled from fruit or fruit juices in closed containers from distilleries located inside or outside the Commonwealth to be used only for the fortification of wine produced by the licensee in accordance with Board regulations, or the sale, delivery or shipment of such wine, in accordance with Board regulations, to persons licensed to sell wine at wholesale for the purpose of resale, and to persons outside the Commonwealth for resale outside the Commonwealth.

8. The receipt by a fruit distillery licensee of deliveries and shipments of alcoholic beverages made from fruit or fruit juices in closed containers from other fruit distilleries owned by such licensee, or the sale, delivery or shipment of such alcoholic beverages, in accordance with Board regulations, to persons outside of the Commonwealth for resale outside of the Commonwealth.

9. Any farm winery or winery licensee from shipping or delivering its wine in closed containers to another farm winery or winery licensee for the purpose of additional bottling in accordance with Board regulations and the return of the wine so bottled to the manufacturing farm winery or winery licensee.

10. Any farm winery or winery licensee from selling and shipping or delivering its wine in closed containers to another farm winery or winery licensee, the wine so sold and shipped or delivered to be used by the receiving licensee in the manufacture of wine. Any wine received under this subsection shall be deemed an agricultural product produced in the Commonwealth for the purposes of § 4.1-219, to the

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59 extent it is produced from fresh fruits or agricultural products grown or produced in the Commonwealth.
60 The selling licensee shall provide to the receiving licensee, and both shall maintain complete and
61 accurate records of, the source of the fresh fruits or agricultural products used to produce the wine so
62 transferred.

63 11. Any distiller licensed under this title from serving as an agent of the Board for the sale of
64 alcoholic beverages, other than beer and wine, at a government store established by the Board on the
65 licensed premises of the distiller in accordance with subsection D of § 4.1-119.

66 12. Any retail on-premises beer licensee, his agent or employee, from giving a sample of beer to
67 persons to whom alcoholic beverages may be lawfully sold for on-premises consumption, or retail
68 on-premises wine or beer licensee, his agent or employee, from giving a sample of wine or beer to
69 persons to whom alcoholic beverages may be lawfully sold for on-premises consumption, or any mixed
70 beverage licensee, his agent or employee, from giving a sample of wine, beer, or spirits to persons to
71 whom alcoholic beverages may be lawfully sold for on-premises consumption. Samples of wine shall
72 not exceed two ounces, samples of beer shall not exceed four ounces, and samples of spirits shall not
73 exceed one-half ounce. No more than two product samples shall be given to any person per visit.

74 13. Any manufacturer, including any vendor authorized by any such manufacturer, whether or not
75 licensed in the Commonwealth, from selling service items bearing alcoholic brand references to
76 on-premises retail licensees or prohibit any such retail licensee from displaying the service items on the
77 premises of his licensed establishment. Each such retail licensee purchasing such service items shall
78 retain a copy of the evidence of his payment to the manufacturer or authorized vendor for a period of
79 not less than two years from the date of each sale of the service items. As used in this subdivision,
80 "service items" mean articles of tangible personal property normally used by the employees of
81 on-premises retail licensees to serve alcoholic beverages to customers including, but not limited to,
82 glasses, napkins, buckets, and coasters.

83 14. Any employee of an alcoholic beverage wholesaler or manufacturer, whether or not licensed in
84 the Commonwealth, from distributing to retail licensees and their employees novelties and specialties,
85 including wearing apparel, having a wholesale value of \$10 or less and that bear alcoholic beverage
86 advertising. Such items may be distributed to retail licensees in quantities equal to the number of
87 employees of the retail establishment present at the time the items are delivered. Thereafter, such
88 employees may wear or display the items on the licensed premises.

89 15. Any retail on-premises wine or beer licensee, his agent or employee from offering for sale or
90 selling for one price to any person to whom alcoholic beverages may be lawfully sold a flight of wines
91 or beers consisting of samples of not more than five different wines or beers.

92 16. Any restaurant licensed under this chapter from permitting the consumption of lawfully acquired
93 wine by bona fide customers on the premises in all areas and locations covered by the license. The
94 licensee may charge a corkage fee to such customer for the wine so consumed; however, the licensee
95 shall not charge any other fee to such customer.

96 B. No deliveries or shipments of alcoholic beverages to persons outside the Commonwealth for resale
97 outside the Commonwealth shall be made into any state the laws of which prohibit the consignee from
98 receiving or selling the same.

99 **§ 4.1-215. Limitation on manufacturers, bottlers and wholesalers; exemptions.**

100 A. Unless exempted pursuant to subsection B, no retail license for the sale of alcoholic beverages
101 shall be granted to any (i) manufacturer, bottler or wholesaler of alcoholic beverages, whether licensed
102 in the Commonwealth or not; (ii) officer or director of any such manufacturer, bottler or wholesaler; (iii)
103 partnership or corporation, where any partner or stockholder is an officer or director of any such
104 manufacturer, bottler or wholesaler; (iv) corporation which is a subsidiary of a corporation which owns
105 or has interest in another subsidiary corporation which is a manufacturer, bottler or wholesaler of
106 alcoholic beverages; or (v) manufacturer, bottler or wholesaler of alcoholic beverages who has a
107 financial interest in a corporation which has a retail license as a result of a holding company, which
108 owns or has an interest in such manufacturer, bottler or wholesaler of alcoholic beverages. Nor shall
109 such licenses be granted in any instances where such manufacturer, bottler or wholesaler and such
110 retailer are under common control, by stock ownership or otherwise.

111 Notwithstanding any other provision of this title, a manufacturer of malt beverages or wine, whether
112 licensed in the Commonwealth or not, may obtain a banquet license for a special event as provided in
113 § 4.1-209 upon application to the Board provided that such event is (i) at a place approved by the Board
114 and (ii) conducted for the purposes of featuring and educating the consuming public about malt beverage
115 or wine products. Such manufacturer shall be limited to no more than four banquet licenses for such
116 special events per year. Where the event occurs on no more than three consecutive days, a manufacturer
117 need only obtain one such license for the event.

118 B. This section shall not apply to:

119 1. Corporations operating dining cars, buffet cars, club cars or boats;

120 2. Brewery, *distillery*, or winery licensees engaging in conduct authorized by subdivision A 5 of

121 § 4.1-201;

122 3. Farm winery licensees engaging in conduct authorized by subdivision 5 of § 4.1-207;

123 4. Manufacturers, bottlers or wholesalers of alcoholic beverages who do not (i) sell or otherwise
124 furnish, directly or indirectly, alcoholic beverages or other merchandise to persons holding a retail
125 license or banquet license as described in subsection A and (ii) require, by agreement or otherwise, such
126 person to exclude from sale at his establishment alcoholic beverages of other manufacturers, bottlers or
127 wholesalers; or

128 5. Wineries, farm wineries, or breweries engaging in conduct authorized by § 4.1-209.1 or 4.1-212.1.

129 C. The General Assembly finds that it is necessary and proper to require a separation between
130 manufacturing interests, wholesale interests and retail interests in the production and distribution of
131 alcoholic beverages in order to prevent suppliers from dominating local markets through vertical
132 integration and to prevent excessive sales of alcoholic beverages caused by overly aggressive marketing
133 techniques. The exceptions established by this section to the general prohibition against tied interests
134 shall be limited to their express terms so as not to undermine the general prohibition and shall therefore
135 be construed accordingly.