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HOUSE BILL NO. 1796

House Amendments in [] - February 3, 2015

A *BILL to amend and reenact § 4.1-119 of the Code of Virginia, relating to alcoholic beverage control; operation of government store by distiller licensee.*

Patron Prior to Engrossment—Delegate Knight

Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:**1. That § 4.1-119 of the Code of Virginia is amended and reenacted as follows:****§ 4.1-119. Operation of government stores.**

A. Subject to the requirements of §§ 4.1-121 and 4.1-122, the Board may establish, maintain and operate government stores for the sale of alcoholic beverages, other than beer and wine not produced by farm wineries, vermouth, mixers, and products used in connection with distilled spirits, including any garnish or garnishment applied to the rim of a glass of distilled spirits, as may be approved by the Board from time to time, in such counties, cities, and towns considered advisable by the Board. The Board may discontinue any such store.

B. With respect to the sale of wine produced by farm wineries, the Board may give preference to farm wineries that produce 2,500 cases or less of wine per year.

C. The Board shall fix the wholesale and retail prices at which the various classes, varieties and brands of alcoholic beverages and other Board-approved products that are sold in government stores. Differences in the cost of operating stores, and market competition and conditions may be reflected in the sale price of alcoholic beverages sold at government stores. The Board may sell alcoholic beverages to federal instrumentalities (i) authorized and operating under the laws of the United States and regulations of the United States Department of Defense and (ii) located within the boundaries of federal enclaves or reservations over which the United States has acquired jurisdiction, at prices which may be greater or less than the wholesale price charged other authorized purchasers.

D. Alcoholic beverages at government stores shall be sold by employees of the Board, who shall carry out the provisions of this title and Board regulations governing the operation of government stores and the sale of alcoholic beverages, except that the Board may appoint the holder of a distiller's license or its officers and employees as agents of the Board for the sale of spirits, manufactured by or for, or blended by such licensee on the licensed premises, at government stores established by the Board on the distiller's licensed premises; ~~provided:~~

1. At least 51 percent of the agricultural products used by such licensee to manufacture the spirits are grown on the licensee's farm or land in Virginia leased by the licensee and no more than 25 percent of the agricultural products are grown or produced outside the Commonwealth. However, upon petition by the Department of Agriculture and Consumer Services, the Board may permit the use of a lesser percentage of products grown on the licensee's farm if unusually severe weather or disease conditions cause a significant reduction in the availability of agricultural products grown on the farm to manufacture the spirits during a given license year;

2. Such licensee is a duly organized nonprofit association holding title to real property, together with improvements thereon that are significant in American history, under a charter from the Commonwealth to preserve such property, and which association accepts no federal, state, or local funds;

3. Such licensee operates a museum whose licensed premises is located on the grounds of a local historic building or site;

4. Such licensee is an independently certified organic distillery, with such certification by a USDA-accredited certification agency;

5. Such licensee is employing traditional distilling techniques, including the use of copper or stainless steel pot stills to blend or produce spirits in any county with a population of less than 20,000; or

6. Such licensee is employing traditional techniques, including the maceration of natural fruits, nuts, grains, beans, and spices in neutral grain spirits to extract natural flavors used to produce or blend liqueurs and spirits.

Such agents shall sell the spirits in accordance with the provisions of this title, Board regulations, and the terms of the agency agreement between the Board and the licensed distiller [*which agreement shall include provisions that prohibit such agents from selling spirits to mixed beverage licensees*] .

For the purposes of this subsection, "blended" means the receipt by a licensed distiller of deliveries and shipments of alcoholic beverages, other than wine and beer, in accordance with subdivision 6 of § 4.1-201 to be (4) (a) additionally aged by the receiving distillery in order to increase the quality and

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59 flavor of such alcoholic beverages and ~~(ii)~~ (b) bottled by the receiving distillery.

60 E. No Class 1 neutral grain spirit or alcohol, as defined by federal regulations, that is without
61 distinctive character, aroma, taste or color shall be sold in government stores at a proof greater than 101
62 except upon permits issued by the Board for industrial, commercial, culinary, or medical use.

63 F. All alcoholic beverages sold in government stores, except for tasting samples pursuant to
64 subsection G sold in government stores established by the Board on a distiller's licensed premises, shall
65 be in closed containers, sealed and affixed with labels prescribed by the Board.

66 G. No alcoholic beverages shall be consumed in a government store by any person unless it is part
67 of an organized tasting event conducted by (i) an employee of a manufacturer of distilled spirits or farm
68 winery or (ii) an authorized representative of a manufacturer of distilled spirits or farm winery with a
69 permit issued by the Board pursuant to subdivision A 15 of § 4.1-212, and the samples of alcoholic
70 beverages provided to any consumer do not exceed the limits for spirits or wine set forth in subdivision
71 A 5 of § 4.1-201.1. No sample may be consumed by any individual to whom alcoholic beverages may
72 not lawfully be sold pursuant to § 4.1-304. The Board shall establish guidelines governing tasting events
73 conducted pursuant to this subsection.

74 H. With respect to purchases by licensees at government stores, the Board shall (i) accept in payment
75 for any purchase or series of purchases cash, electronic fund transfer, credit or debit card, or check
76 payable to the Board, in the exact amount of any such purchase or series of purchases and (ii) provide
77 notice to licensees on Board policies relating to the assignment of government stores from which
78 licensees may purchase products and any procedure for the licensee to elect to make purchases from an
79 alternative government store.

80 I. With respect to purchases by consumers at government stores, the Board shall accept cash in
81 payment for any purchase or series of purchases. The Board may adopt regulations which provide for
82 accepting a credit card or debit card as payment. Such regulations may provide for the collection, where
83 appropriate, of related fees, penalties and service charges for the use of a credit card or debit card by
84 any consumer.