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**HOUSE BILL NO. 143**

Offered January 13, 2016

Prefiled December 21, 2015

*A BILL to amend and reenact § 4.1-119, as it is currently effective and as it shall become effective, of the Code of Virginia, relating to alcoholic beverage control; neutral grain spirits or alcohol sold at government stores; proof.*

Patron—Knight

Referred to Committee on General Laws

**Be it enacted by the General Assembly of Virginia:**

**1. That § 4.1-119, as it is currently effective and as it shall become effective, of the Code of Virginia is amended and reenacted as follows:**

**§ 4.1-119. (Effective until July 1, 2018) 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.

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.

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 (i) additionally aged by the receiving distillery in order to increase the quality and flavor of such alcoholic beverages and (ii) bottled by the receiving distillery.

E. No Class 1 neutral grain spirit or alcohol, as defined by federal regulations, that is without distinctive character, aroma, taste or color shall be sold in government stores at a proof greater than ~~101~~ 151 except upon permits issued by the Board for industrial, commercial, culinary, or medical use.

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

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

Notwithstanding the provision of this subsection to the contrary, an agent of the Board appointed pursuant to subsection D may give samples of beer, wine, or cider to persons to whom alcoholic beverages may be lawfully sold for on-premises consumption, provided that (i) the beer, wine, or cider

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59 samples are manufactured within the same licensed premises or on contiguous premises of such agent  
60 licensed as a brewery or winery; (ii) no single sample shall exceed four ounces of beer, two ounces of  
61 wine, or one-half ounce of spirits; and (iii) no more than four total samples of alcoholic beverage  
62 products shall be given or sold to any person per day. Nothing in this paragraph shall prohibit such  
63 agent from serving samples of spirits as a mixed beverage.

64 The Board shall establish guidelines governing tasting events conducted pursuant to this subsection.

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

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

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78 operate government stores for the sale of alcoholic beverages, other than beer and wine not produced by  
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80 garnish or garnishment applied to the rim of a glass of distilled spirits, as may be approved by the  
81 Board from time to time, in such counties, cities, and towns considered advisable by the Board. The  
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83 B. With respect to the sale of wine produced by farm wineries, the Board may give preference to  
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90 regulations of the United States Department of Defense and (ii) located within the boundaries of federal  
91 enclaves or reservations over which the United States has acquired jurisdiction, at prices which may be  
92 greater or less than the wholesale price charged other authorized purchasers. Nothing in this subsection  
93 shall be construed to limit the authority of the Board to fix the retail price of alcoholic beverages sold at  
94 government stores, which retail price may include promotional, volume, or other discounts deemed  
95 appropriate by the Board.

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

102 Such agents shall sell the spirits in accordance with the provisions of this title, Board regulations,  
103 and the terms of the agency agreement between the Authority and the licensed distiller.

104 For the purposes of this subsection, "blended" means the receipt by a licensed distiller of deliveries  
105 and shipments of alcoholic beverages, other than wine and beer, in accordance with subdivision 6 of §  
106 4.1-201 to be (i) additionally aged by the receiving distillery in order to increase the quality and flavor  
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108 E. No Class 1 neutral grain spirit or alcohol, as defined by federal regulations, that is without  
109 distinctive character, aroma, taste or color shall be sold in government stores at a proof greater than ~~101~~  
110 ~~151~~ except upon permits issued by the Board for industrial, commercial, culinary, or medical use.

111 F. All alcoholic beverages sold in government stores, except for tasting samples pursuant to  
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113 be in closed containers, sealed and affixed with labels prescribed by the Board.

114 G. No alcoholic beverages shall be consumed in a government store by any person unless it is part  
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116 winery or (ii) an authorized representative of a manufacturer of distilled spirits or farm winery with a  
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123 beverages may be lawfully sold for on-premises consumption, provided that (i) the beer, wine, or cider  
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136 I. With respect to purchases by consumers at government stores, the Authority shall accept cash in  
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138 accepting a credit card or debit card as payment. Such regulations may provide for the collection, where  
139 appropriate, of related fees, penalties and service charges for the use of a credit card or debit card by  
140 any consumer.

141 J. Before the Authority implements any increase in the markup on distilled spirits or any change to  
142 the markup formula for distilled spirits pursuant to § 4.1-235 that would result in an increase in the  
143 retail price of distilled spirits sold to the public, the Authority shall (i) provide at least 45 days' public  
144 notice before such a price increase takes effect; (ii) provide the opportunity for submission of written  
145 comments regarding the proposed price increase; (iii) conduct a public meeting for the purpose of  
146 receiving verbal comment regarding the proposed price increase; and (iv) consider any written or verbal  
147 comments before implementing such a price increase.