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HOUSE BILL NO. 2367**AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the Senate Committee on Rehabilitation and Social Services
on February 15, 2018)

(Patron Prior to Substitute—Delegate Knight)

A BILL to amend and reenact §§ 4.1-111, 4.1-204, and 4.1-212.1 of the Code of Virginia, relating to alcoholic beverage control; delivery permittees; regulations; penalties.

Be it enacted by the General Assembly of Virginia:

1. That §§ 4.1-111, 4.1-204, and 4.1-212.1 of the Code of Virginia are amended and reenacted as follows:

§ 4.1-111. Regulations of Board.

A. The Board may promulgate reasonable regulations, not inconsistent with this title or the general laws of the Commonwealth, which it deems necessary to carry out the provisions of this title and to prevent the illegal manufacture, bottling, sale, distribution and transportation of alcoholic beverages. The Board may amend or repeal such regulations. Such regulations shall be promulgated, amended or repealed in accordance with the Administrative Process Act (§ 2.2-4000 et seq.) and shall have the effect of law.

B. The Board shall promulgate regulations that:

1. Prescribe what hours and on what days alcoholic beverages shall not be sold by licensees or consumed on any licensed premises, including a provision that mixed beverages may be sold only at such times as wine and beer may be sold.

2. Require mixed beverage caterer licensees to notify the Board in advance of any event to be served by such licensee.

3. Maintain the reasonable separation of retailer interests from those of the manufacturers, bottlers, brokers, importers and wholesalers in accordance with § 4.1-216 and in consideration of the established trade customs, quantity and value of the articles or services involved; prevent undue competitive domination of any person by any other person engaged in the manufacture, distribution and sale at retail or wholesale of alcoholic beverages in the Commonwealth; and promote reasonable accommodation of arm's length business transactions.

4. Establish requirements for the form, content, and retention of all records and accounts, including the (i) reporting and collection of taxes required by § 4.1-236 and (ii) the sale of alcoholic beverages in kegs, by all licensees.

5. Require retail licensees to file an appeal from any hearing decision rendered by a hearing officer within 30 days of the date the notice of the decision is sent. The notice shall be sent to the licensee at the address on record with the Board by certified mail, return receipt requested, and by regular mail.

6. Prescribe the terms and conditions under which persons who collect or trade designer or vintage spirit bottles may sell such bottles at auction, provided that (i) the auction is conducted in accordance with the provisions of Chapter 6 (§ 54.1-600 et seq.) of Title 54.1 and (ii) the bottles are unopened and the manufacturers' seals, marks, or stamps affixed to the bottles are intact.

7. Prescribe the terms and conditions under which credit or debit cards may be accepted from licensees for purchases at government stores, including provision for the collection, where appropriate, of related fees, penalties, and service charges.

8. Require that banquet licensees in charge of public events as defined by Board regulations report to the Board the income and expenses associated with the public event on a form prescribed by the Board when the banquet licensee engages another person to organize, conduct or operate the event on behalf of the banquet licensee. Such regulations shall be applicable only to public events where alcoholic beverages are being sold.

9. Provide alternative methods for licensees to maintain and store business records that are subject to Board inspection, including methods for Board-approved electronic and off-site storage.

10. Require off-premises retail licensees to place any premixed alcoholic energy drinks containing one-half of one percent or more of alcohol by volume in the same location where wine and beer are available for sale within the licensed premises.

11. Prescribe the terms and conditions under which mixed beverage licensees may infuse, store, and sell flavored distilled spirits, including a provision that limits infusion containers to a maximum of 20 liters.

12. Prescribe the schedule of proration for refunded license taxes to licensees who qualify pursuant to subsection C of § 4.1-232.

13. Establish reasonable time, place, and manner restrictions on outdoor advertising of alcoholic beverages, not inconsistent with the provisions of this title, so that such advertising does not encourage

60 or otherwise promote the consumption of alcoholic beverages by persons to whom alcoholic beverages
61 may not be lawfully sold. Such regulations shall:

62 a. Restrict outdoor advertising of alcoholic beverages in publicly visible locations consistent with (i)
63 the general prohibition against tied interests between retail licensees and manufacturers or wholesale
64 licensees as provided in §§ 4.1-215 and 4.1-216; (ii) the prohibition against manufacturer control of
65 wholesale licensees as set forth in § 4.1-223 and Board regulations adopted pursuant thereto; and (iii) the
66 general prohibition against cooperative advertising between manufacturers, wholesalers, or importers and
67 retail licensees as set forth in Board regulation; and

68 b. Permit (i) any outdoor signage or advertising not otherwise prohibited by this title and (ii) the
69 display of outdoor alcoholic beverage advertising on lawfully erected billboard signs regulated under
70 Chapter 12 (§ 33.2-1200 et seq.) of Title 33.2 where such signs are located on commercial real estate as
71 defined in § 55-526, but only in accordance with this title.

72 14. Prescribe the terms and conditions under which a licensed brewery may manufacture beer
73 pursuant to an agreement with a brand owner not under common control with the manufacturing
74 brewery and sell and deliver the beer so manufactured to the brand owner. The regulations shall require
75 that (i) the brand owner be an entity appropriately licensed as a brewery or beer wholesaler, (ii) a
76 written agreement be entered into by the parties, and (iii) records as deemed appropriate by the Board
77 are maintained by the parties.

78 15. Prescribe the terms for any "happy hour" conducted by on-premises licensees. Such regulations
79 shall permit on-premises licensees to advertise any alcoholic beverage products featured during a happy
80 hour but prohibit the advertising of any pricing related to such happy hour.

81 16. Permit retail on-premises licensees to give a gift of one alcoholic beverage to a patron or one
82 bottle of wine to a group of two or more patrons, provided that (i) such gifts only are made to
83 individuals to whom such products may lawfully be sold and (ii) only one such gift is given during any
84 24-hour period and subject to any Board limitations on the frequency of such gifts.

85 17. Permit the sale of beer and cider for off-premises consumption in resealable growlers made of
86 glass, ceramic, metal, or other materials approved by the Board, or other resealable containers approved
87 by the Board, with a maximum capacity of 128 fluid ounces or, for metric-sized containers, four liters.

88 18. Permit the sale of wine for off-premises consumption in resealable growlers made of glass,
89 ceramic, metal, or other materials approved by the Board, or other resealable containers approved by the
90 Board, with a maximum capacity of 64 fluid ounces or, for metric-sized containers, two liters. Wine
91 growlers may be used only by persons licensed to sell wine for both on-premises and off-premises
92 consumption or by gourmet shop licensees. Growlers sold by gourmet shop licensees shall be labeled
93 with (i) the manufacturer's name or trade name, (ii) the place of production, (iii) the net contents in fluid
94 ounces, and (iv) the name and address of the retailer.

95 19. Permit the sale of wine, cider, and beer by retailers licensed to sell beer and wine for both
96 on-premises and off-premises consumption, or by gourmet shop licensees for off-premises consumption
97 in sealed containers made of metal or other materials approved by the Board with a maximum capacity
98 of 32 fluid ounces or, for metric-sized containers, one liter, provided that the alcoholic beverage is
99 placed in the container following an order from the consumer.

100 20. Permit mixed beverage licensees to premix containers of sangria and other mixed alcoholic
101 beverages and to serve such alcoholic beverages in pitchers, subject to size and quantity limitations
102 established by the Board.

103 21. Establish and make available to all licensees and permittees for which on-premises consumption
104 of alcoholic beverages is allowed and employees of such licensees and permittees who serve as a
105 bartender or otherwise sell, serve, or dispense alcoholic beverages for on-premises consumption a bar
106 bystander training module, which shall include (i) information that enables licensees, permittees, and
107 their employees to recognize situations that may lead to sexual assault and (ii) intervention strategies to
108 prevent such situations from culminating in sexual assault.

109 22. Require mixed beverage licensees to have food, cooked or prepared on the licensed premises,
110 available for on-premises consumption until at least 30 minutes prior to an establishment's closing. Such
111 food shall be available in all areas of the licensed premises in which spirits are sold or served.

112 23. *Prescribe the terms and conditions under which the Board may suspend the privilege of a mixed*
113 *beverage licensee to purchase spirits from the Board upon such licensee's failure to submit any records*
114 *or other documents necessary to verify the licensee's compliance with applicable minimum food sale*
115 *requirements within 30 days of the date such records or documents are due.*

116 C. The Board may promulgate regulations that:

117 1. Provide for the waiver of the license tax for an applicant for a banquet license, such waiver to be
118 based on (i) the amount of alcoholic beverages to be provided by the applicant, (ii) the not-for-profit
119 status of the applicant, and (iii) the condition that no profits are to be generated from the event. For the
120 purposes of clause (ii), the applicant shall submit with the application, an affidavit certifying its
121 not-for-profit status. The granting of such waiver shall be limited to two events per year for each

applicant.

2. Establish limitations on the quantity and value of any gifts of alcoholic beverages made in the course of any business entertainment pursuant to subdivision A 22 of § 4.1-325 or subsection C of § 4.1-325.2.

3. Provide incentives to licensees with a proven history of compliance with state and federal laws and regulations to encourage licensees to conduct their business and related activities in a manner that is beneficial to the Commonwealth.

D. Board regulations shall be uniform in their application, except those relating to hours of sale for licensees.

E. Courts shall take judicial notice of Board regulations.

F. The Board's power to regulate shall be broadly construed.

§ 4.1-204. Records of licensees; inspection of records and places of business.

A. Manufacturers, bottlers or wholesalers. — Every licensed manufacturer, bottler or wholesaler shall keep complete, accurate and separate records in accordance with Board regulations of all alcoholic beverages purchased, manufactured, bottled, sold or shipped by him, and the applicable tax required by § 4.1-234 or 4.1-236, if any.

B. Retailers. — Every retail licensee shall keep complete, accurate and separate records, in accordance with Board regulations, of all purchases of alcoholic beverages, the prices charged such licensee therefor, and the names and addresses of the persons from whom purchased. Every retail licensee shall also preserve all invoices showing his purchases for a period as specified by Board regulations. He shall also keep an accurate account of daily sales, showing quantities of alcoholic beverages sold and the total price charged by him therefor. Except as otherwise provided in subsection D, such account need not give the names or addresses of the purchasers thereof, except as may be required by Board regulation for the sale of alcoholic beverages in kegs. In the case of persons holding retail licenses which require sales of food to determine their qualifications for such licenses, the records shall also include purchases and sales of food and nonalcoholic beverages.

Notwithstanding the provisions of subsection F, electronic records of retail licensees may be stored off site, provided that such records are readily retrievable and available for electronic inspection by the Board or its special agents at the licensed premises. However, in the case that such electronic records are not readily available for electronic inspection on the licensed premises, the retail licensee may obtain Board approval, for good cause shown, to permit the retail licensee to provide the records to a special agent of the Board within three business days or less, as determined by the Board, after a request is made to inspect the records.

C. Common carriers. — Common carriers of passengers by train, boat, or airplane shall keep records of purchases and sales of alcoholic beverages and food as required by Board regulation.

D. Wine shippers and beer shippers. — Every wine shipper licensee and every beer shipper licensee shall keep complete, accurate, and separate records in accordance with Board regulations of all shipments of wine or beer to persons in the Commonwealth. Such licensees shall also remit on a monthly basis an accurate account stating whether any wine, farm wine, or beer products were sold and shipped and, if so, stating the total quantities of wine and beer sold and the total price charged for such wine and beer. Such records shall include the names and addresses of the purchasers to whom the wine and beer is shipped.

E. Delivery permittees. — Every holder of a delivery permit issued pursuant to § 4.1-212.1 shall keep complete, accurate, and separate records *for a period of at least two years* in accordance with Board regulations of all deliveries of wine or beer to persons in the Commonwealth. Such ~~permittees shall also remit on a monthly basis an accurate account that sets forth records shall include (i) the brands of wine and beer sold, (ii) the total quantities of wine and beer sold and, (iii) the total price charged for such wine and beer. Such records shall include, and (iv) the names and, addresses, and signatures of the purchasers to whom the wine and beer is delivered. If no wine or beer was sold and delivered in any month, the permittee shall not be required to submit a report to the Board for that month; however, every permittee must submit a report to the Board no less frequently than once every 12 months even if no sales or deliveries have been made in the preceding 12 months. Such purchaser signatures may be in an electronic format. Permittees shall remit such records on a monthly basis for any month during which the permittee makes a delivery for which the permittee is required to collect and remit excise taxes due to the Authority pursuant to subsection D of § 4.1-212.1.~~

F. Inspection. — The Board and its special agents shall be allowed free access during reasonable hours to every place in the Commonwealth and to the premises of both (i) every wine shipper licensee and beer shipper licensee and (ii) every delivery permittee wherever located where alcoholic beverages are manufactured, bottled, stored, offered for sale or sold, for the purpose of examining and inspecting such place and all records, invoices and accounts therein. The Board may engage the services of alcoholic beverage control authorities in any state to assist with the inspection of the premises of a wine

183 shipper licensee, a beer shipper licensee, or delivery permittee, or any applicant for such license or
184 permit.

185 For purposes of a Board inspection of the records of any retail licensees, "reasonable hours" means
186 the hours between 9 a.m. and 5 p.m.; however, if the licensee generally is not open to the public
187 substantially during the same hours, "reasonable hours" shall mean the business hours when the licensee
188 is open to the public. At any other time of day, if the retail licensee's records are not available for
189 inspection, the retailer shall provide the records to a special agent of the Board within 24 hours after a
190 request is made to inspect the records.

191 **§ 4.1-212.1. Permits; delivery of wine and beer; regulations of Board.**

192 A. Any brewery, winery, or farm winery located within or outside the Commonwealth that is
193 authorized to engage in the retail sale of wine or beer for off-premises consumption may apply to the
194 Board for issuance of a delivery permit that shall authorize the delivery of the brands of beer, wine, and
195 farm wine produced by the same brewery, winery, or farm winery in closed containers to consumers
196 within the Commonwealth for personal consumption.

197 B. Any person located within or outside the Commonwealth who is authorized to sell wine or beer at
198 retail for off-premises consumption in their state of domicile, and who is not a brewery, winery, or farm
199 winery, may apply for a delivery permit that shall authorize the delivery of any brands of beer, wine,
200 and farm wine it is authorized to sell in its state of domicile, in closed containers, to consumers within
201 the Commonwealth for personal consumption.

202 C. All such deliveries shall be to consumers within the Commonwealth for personal consumption
203 only, and not for resale. All such deliveries of beer, wine, or farm wine shall be performed by *either (i)*
204 *the owner or any agent, officer, director, shareholder or employee of the permittee or (ii) an independent*
205 *contractor of the permittee, provided that (a) the permittee has entered into a written agreement with*
206 *the independent contractor establishing that the permittee shall be vicariously liable for any*
207 *administrative violations of this section or § 4.1-304 committed by the independent contractor relating to*
208 *any deliveries of beer, wine, or farm wine made on behalf of the permittee and (b) only one individual*
209 *takes possession of the beer, wine, or farm wine during the course of the delivery.* No more than four
210 cases of wine nor more than four cases of beer may be delivered at one time to any person in Virginia
211 to whom alcoholic beverages may be lawfully sold, except that the permittee may deliver more than
212 four cases of wine or more than four cases of beer if he notifies the Department in writing at least one
213 business day in advance of any such delivery, which notice contains the name and address of the
214 intended recipient. The Board may adopt such regulations as it reasonably deems necessary to implement
215 the provisions of this section. Such regulations shall include provisions that require (i) the recipient to
216 demonstrate, upon delivery, that he is at least 21 years of age; and (ii) the recipient to sign an electronic
217 or paper form or other acknowledgement of receipt as approved by the Board.

218 D. For purposes of §§ 4.1-234 and 4.1-236 and Chapter 6 (§ 58.1-600 et seq.) of Title 58.1, each
219 delivery of wine or beer by a permittee shall constitute a sale in Virginia. The permittee shall collect the
220 taxes due to the Commonwealth and remit any excise taxes monthly to the Authority and any sales taxes
221 to the Department of Taxation, *if such taxes have not already been paid.*