

## Department of Planning and Budget 2020 Fiscal Impact Statement

**1. Bill Number:** HB1187H1

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input checked="" type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Wampler

**3. Committee:** Senate Committee on Rehabilitation and Social Services

**4. Title:** Internet orders and shipments by distiller licensees

**5. Summary:** The substitute bill allows the Alcoholic Beverage Control Authority (“ABC”) to include provisions in its distiller licensee agreements that allow licensed distillers to sell spirits and low alcohol beverage coolers through internet orders and directly shipped to consumers. The bill limits the number of shipments a licensed distiller is permitted to make to no more than six bottles of spirits or two cases of low alcohol beverage coolers to any one consumer or licensee per month. For the purpose of internet shipments, bottle spirits may have a capacity of not more than 1.75 liters and can only be transported by common carriers approved by ABC. Approved regulations for common carriers must (a) include a process through which common carriers may apply for approval to provide common carriage of spirits or low alcohol beverage coolers shipped by distillers pursuant to this subsection; (b) require the recipient to demonstrate, upon delivery, that he is at least 21 years of age; (c) require the recipient to sign an electronic or paper form or other acknowledgement of receipt as approved by the Board; and (d) require the common carrier to submit to the Board such information as the Board may prescribe. Common carriers must refuse delivery when the proposed recipient appears to be under 21 years of age and fails to present valid identification.

The bill requires licensees to affix a conspicuous notice in 16-point type or larger to the outside of each package stating, "CONTAINS ALCOHOLIC BEVERAGES; SIGNATURE OF PERSON AGE 21 YEARS OR OLDER REQUIRED FOR DELIVERY." Any delivery of alcoholic beverages to a minor by a common carrier shall constitute a violation by the common carrier. The common carrier and the distiller licensee shall be liable only for their independent acts.

**6. Budget Amendment Necessary:** No

**7. Fiscal Impact Estimates:** Preliminary (see Item #8)

**8. Fiscal Implications:** Currently, ABC has licensed distiller agreements with 46 licensed distillers. Under the terms of the agreement, these licensed distillers are permitted to sell their products to mixed beverage licensees. Because these licensed distillers are currently licensed and inspected by ABC compliance special agents, no additional revenue is expected to be collected as a result of allowing the internet sales provisions outlined in this bill. However, it

is likely additional revenue from sales taxes and markup would be generated from the additional bottles sold via the internet process. Due to a number of unknown variables, such as how many vendors will implement an internet order process and how many Virginians would utilize the internet order option, it is not possible to quantify the fiscal impact this bill could have on revenues or profits. Currently, none of the 46 licensed distillers have internet sales capacity.

The ABC Bureau of Law Enforcement Compliance Unit has two employees that review direct shipments by common carriers. The performance of common carriers is also reviewed by special agents in ABC's regional offices. Depending on the volume of internet orders and shipments, and any related complaints that have to be investigated, it is possible ABC may need additional staff at some point in the future.

The Department of Taxation is currently reviewing this bill for potential impact.

**9. Specific Agency or Political Subdivisions Affected:** Alcoholic Beverage Control Authority

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None