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SENATE BILL NO. 600

Offered January 11, 2006

A BILL to amend and reenact §§ 4.1-234 and 4.1-235 of the Code of Virginia, relating to the tax on alcoholic beverages.

Patron—Colgan

Referred to Committee on Rehabilitation and Social Services

Be it enacted by the General Assembly of Virginia:**1. That §§ 4.1-234 and 4.1-235 of the Code of Virginia are amended and reenacted as follows:**

§ 4.1-234. Tax on wine and other alcoholic beverages; exceptions.

A. In addition to the taxes imposed pursuant to Chapter 6 (§ 58.1-600 et seq.) of Title 58.1, a tax of forty cents is levied on each liter of wine sold in the Commonwealth. Additionally, on vermouth and on farm winery wines sold to consumers by the Board the state tax shall be four percent of the price charged.

B. There is levied on other alcoholic beverages sold by the Board a tax of ~~twenty percent~~ 23% of the price charged. This subsection shall also apply to all alcoholic beverages purchased from the Board by any mixed beverage licensee.

C. The provisions of this section shall not apply to (i) beer, (ii) wine coolers, (iii) sales of wine by manufacturers to wholesale wine licensees for resale to retail licensees, (iv) sales, other than by or through government stores, of alcoholic beverages for manufacturing and industrial purposes, or either, (v) sales, other than by or through government stores, of alcohol for hospital and laboratory purposes, or either, (vi) alcoholic beverages shipped from the Commonwealth to points outside the Commonwealth for resale outside the Commonwealth and (vii) sales to any instrumentality of the federal government.

§ 4.1-235. Collection; computation, distribution of tax on wine and other alcoholic beverages; refunds and adjustments.

A. The Board shall collect the state taxes levied pursuant to § 4.1-234 as follows:

1. Collection shall be from the purchaser at the time of or prior to sale, except as to sales made to wholesale wine licensees. Wholesale wine licensees shall collect the taxes at the time of or prior to sale to retail licensees, and shall remit such taxes monthly to the Board, along with such reports as may be required by the Board, at the time and in the manner prescribed by the Board.

2. In establishing the prices for items sold by it to persons other than wholesale licensees, the Board shall include a reasonable markup. The liter tax or ~~twenty percent~~ 23% tax, as appropriate, shall then be added to the price of each container of alcoholic beverages. The four percent tax on vermouth and farm winery wines shall then be added for those products. In all cases the final price for each container may be established so as to be a multiple of five.

In accounting for the state tax on sales the Board shall divide the net sales for the quarter by ~~1.20~~ 1.23 and multiply the result by ~~twenty percent~~ 23%. As to the sale of vermouth and farm winery wine, the Board shall divide the net sales for the quarter by 1.04 and multiply the result by four percent.

B. The amount of tax collected under this section during each quarter shall, within fifty days after the close of such quarter, be certified to the Comptroller by the Board and shall be transferred by him from the special fund described in § 4.1-116 to the general fund of the state treasury. The Board shall, not later than June 20 of every year, estimate the yield of the state tax on sales imposed by § 4.1-234 for the quarter ending June 30 and certify the amount of such estimate to the Comptroller, whereupon the Comptroller shall, before the end of the month, transfer the amount of such estimate from the special fund described in § 4.1-116 to the general fund of the state treasury, subject to such adjustment on account of an overestimate or underestimate as may be indicated within fifty days after the close of the quarter ending on June 30.

Forty-four percent of the amount derived from the liter tax levied pursuant to § 4.1-234 shall be transferred to the general fund and paid to the several counties, cities, and towns of the Commonwealth in proportion to their respective populations, and is appropriated for such purpose.

The counties, cities, and towns shall in no event receive from the taxes derived from the sale of wines less revenue than was received by such counties, cities, and towns for the year ending June 30, 1976.

Twelve percent of the amount derived from the liter tax levied shall be retained by the Board as operating revenue and distributed as provided in § 4.1-117.

The revenues generated by the increase in the tax imposed pursuant to subsection B of § 4.1-234, pursuant to enactments of the 2006 Session of the General Assembly, shall be transferred to the general

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59 *fund and paid to the several counties, cities, and towns of the Commonwealth in proportion to their*
60 *respective populations. Such funds shall be used by localities solely for the operational support of (i)*
61 *volunteer rescue squads, emergency medical service organizations, or other organizations providing*
62 *similar type services, or (ii) volunteer fire-fighting organizations.*

63 C. As used in this section, the term "net sales" means gross sales less refunds to customers.

64 D. The Board may make a refund or adjustment of any tax paid to it under this section when (i) the
65 wine upon which such tax has been paid has been condemned and is not permitted to be sold in the
66 Commonwealth, or (ii) wine is returned by a retail licensee to a wholesale wine licensee for refund in
67 accordance with Board regulations or approval. Any claim for such refund or adjustment shall be made
68 to the Board in the report filed with the Board by the wholesale wine licensee for the period in which
69 such return and refund occurs.