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## SENATE BILL NO. 1272

Offered January 14, 2015

Prefiled January 14, 2015

A *BILL to amend and reenact §§ 4.1-206, 4.1-231, and 4.1-233 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 15.2-2288.3:2, relating to alcoholic beverage control; limited distiller's license.*

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 Patron—Deeds

\_\_\_\_\_  
 Referred to Committee on Rehabilitation and Social Services

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

**1. That §§ 4.1-206, 4.1-231, and 4.1-233 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding a section numbered 15.2-2288.3:2 as follows:**

**§ 4.1-206. Alcoholic beverage licenses.**

The Board may grant the following licenses relating to alcoholic beverages generally:

1. Distillers' licenses, which shall authorize the licensee to manufacture alcoholic beverages other than wine and beer, and to sell and deliver or ship the same, in accordance with Board regulations, in closed containers, to the Board and to persons outside the Commonwealth for resale outside the Commonwealth. When the Board has established a government store on the distiller's licensed premises pursuant to subsection D of § 4.1-119, such license shall also authorize the licensee to make a charge to consumers to participate in an organized tasting event conducted in accordance with subsection G of § 4.1-119 and Board regulations.

2. *Limited distillers' licenses, to distilleries that manufacture not more than 36,000 gallons of alcoholic beverages other than wine or beer per calendar year, provided (i) the distillery is located on a farm in the Commonwealth on land zoned agricultural and owned or leased by such distillery or its owner and (ii) agricultural products used by such distillery in the manufacture of its alcoholic beverages are grown on the farm. The licensed premises shall be limited to the portion of the farm on which agricultural products used by such distillery in the manufacture of its alcoholic beverages are grown and that is contiguous to the premises of such distillery where the alcoholic beverages are manufactured, exclusive of any residence and the curtilage thereof. However, the Board may, with notice to the local governing body in accordance with the provisions of § 4.1-230, also approve other portions of the farm to be included as part of the licensed premises.*

*Limited distillers' licensees shall be treated as distillers for all purposes of this title except as otherwise provided in this subdivision.*

3. Fruit distillers' licenses, which shall authorize the licensee to manufacture any alcoholic beverages made from fruit or fruit juices, and to sell and deliver or ship the same, in accordance with Board regulations, in closed containers, to the Board and to persons outside the Commonwealth for resale outside the Commonwealth.

3. 4. Banquet facility licenses to volunteer fire departments and volunteer rescue squads, which shall authorize the licensee to permit the consumption of lawfully acquired alcoholic beverages on the premises of the licensee by any person, and bona fide members and guests thereof, otherwise eligible for a banquet license. However, lawfully acquired alcoholic beverages shall not be purchased or sold by the licensee or sold or charged for in any way by the person permitted to use the premises. Such premises shall be a fire or rescue squad station or both, regularly occupied as such and recognized by the governing body of the county, city or town in which it is located. Under conditions as specified by Board regulation, such premises may be other than a fire or rescue squad station, provided such other premises are occupied and under the control of the fire department or rescue squad while the privileges of its license are being exercised.

4. 5. Bed and breakfast licenses, which shall authorize the licensee to serve alcoholic beverages in dining areas, private guest rooms and other designated areas to persons to whom overnight lodging is being provided, with or without meals, for on-premises consumption only in such rooms and areas, and without regard to the amount of gross receipts from the sale of food prepared and consumed on the premises.

5. 6. Tasting licenses, which shall authorize the licensee to sell or give samples of alcoholic beverages of the type specified in the license in designated areas at events held by the licensee. A tasting license shall be issued for the purpose of featuring and educating the consuming public about the alcoholic beverages being tasted. A separate license shall be required for each day of each tasting event. No tasting license shall be required for conduct authorized by § 4.1-201.1.

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~~6.~~ 7. Museum licenses, which may be issued to nonprofit museums exempt from taxation under § 501(c)(3) of the Internal Revenue Code, which shall authorize the licensee to (i) permit the consumption of lawfully acquired alcoholic beverages on the premises of the licensee by any bona fide member and guests thereof and (ii) serve alcoholic beverages on the premises of the licensee to any bona fide member and guests thereof. However, alcoholic beverages shall not be sold or charged for in any way by the licensee. The privileges of this license shall be limited to the premises of the museum, regularly occupied and utilized as such.

~~7.~~ 8. Equine sporting event licenses, which may be issued to organizations holding equestrian, hunt and steeplechase events, which shall authorize the licensee to permit the consumption of lawfully acquired alcoholic beverages on the premises of the licensee by patrons thereof during such event. However, alcoholic beverages shall not be sold or charged for in any way by the licensee. The privileges of this license shall be (i) limited to the premises of the licensee, regularly occupied and utilized for equestrian, hunt and steeplechase events and (ii) exercised on no more than four calendar days per year.

~~8.~~ 9. Day spa licenses, which shall authorize the licensee to (i) permit the consumption of lawfully acquired wine or beer on the premises of the licensee by any bona fide customer of the day spa and (ii) serve wine or beer on the premises of the licensee to any such bona fide customer; however, the licensee shall not give more than two five-ounce glasses of wine or one 12-ounce glass of beer to any such customer, nor shall it sell or otherwise charge a fee to such customer for the wine or beer served or consumed. The privileges of this license shall be limited to the premises of the day spa regularly occupied and utilized as such.

~~9.~~ 10. Motor car sporting event facility licenses, which shall authorize the licensee to permit the consumption of lawfully acquired alcoholic beverages on the premises of the licensee by patrons thereof during such events. However, alcoholic beverages shall not be sold or charged for in any way, directly or indirectly, by the licensee. The privileges of this license shall be limited to those areas of the licensee's premises designated by the Board that are regularly occupied and utilized for motor car sporting events.

~~10.~~ 11. Meal-assembly kitchen license, which shall authorize the licensee to serve wine or beer on the premises of the licensee to any such bona fide customer attending either a private gathering or a special event; however, the licensee shall not give more than two five-ounce glasses of wine or two 12-ounce glasses of beer to any such customer, nor shall it sell or otherwise charge a fee to such customer for the wine or beer served or consumed. The privileges of this license shall be limited to the premises of the meal-assembly kitchen regularly occupied and utilized as such.

~~11.~~ 12. Canal boat operator license, which shall authorize the licensee to permit the consumption of lawfully acquired alcoholic beverages on the premises of the licensee by any bona fide customer attending either a private gathering or a special event; however, the licensee shall not sell or otherwise charge a fee to such customer for the alcoholic beverages so consumed. The privileges of this license shall be limited to the premises of the licensee, including the canal, the canal boats while in operation, and any pathways adjacent thereto. Upon authorization of the licensee, any person may keep and consume his own lawfully acquired alcoholic beverages on the premises in all areas and locations covered by the license.

~~12.~~ 13. Annual arts venue event licenses, to persons operating an arts venue, which shall authorize the licensee participating in a community art walk that is open to the public to serve lawfully acquired wine or beer on the premises of the licensee to adult patrons thereof during such events. However, alcoholic beverages shall not be sold or charged for in any way, directly or indirectly, by the licensee, and the licensee shall not give more than two five-ounce glasses of wine or one 12-ounce glass of beer to any one adult patron. The privileges of this license shall be (i) limited to the premises of the arts venue regularly occupied and used as such and (ii) exercised on no more than 12 calendar days per year.

#### **§ 4.1-231. Taxes on state licenses.**

A. The annual fees on state licenses shall be as follows:

1. Alcoholic beverage licenses. For each:

a. Distiller's license, if not more than 5,000 gallons of alcohol or spirits, or both, manufactured during the year in which the license is granted, \$450; *if more than 5,000 gallons but not more than 36,000 gallons manufactured during such year*, \$2,500; and if more than ~~5,000~~ 36,000 gallons manufactured during such year, \$3,725;

b. Fruit distiller's license, \$3,725;

c. Banquet facility license or museum license, \$190;

d. Bed and breakfast establishment license, \$35;

e. Tasting license, \$40 per license granted;

f. Equine sporting event license, \$130;

g. Motor car sporting event facility license, \$130;

- h. Day spa license, \$100;
- i. Delivery permit, \$120 if the permittee holds no other license under this title;
- j. Meal-assembly kitchen license, \$100;
- k. Canal boat operator license, \$100; and
- l. Annual arts venue event license, \$100.
- 2. Wine licenses. For each:
  - a. Winery license, if not more than 5,000 gallons of wine manufactured during the year in which the license is granted, \$189, and if more than 5,000 gallons manufactured during such year, \$3,725;
  - b. (1) Wholesale wine license, \$185 for any wholesaler who sells 30,000 gallons of wine or less per year, \$930 for any wholesaler who sells more than 30,000 gallons per year but not more than 150,000 gallons of wine per year, \$1,430 for any wholesaler who sells more than 150,000 but not more than 300,000 gallons of wine per year, and, \$1,860 for any wholesaler who sells more than 300,000 gallons of wine per year;
  - (2) Wholesale wine license, including that granted pursuant to § 4.1-207.1, applicable to two or more premises, the annual state license tax shall be the amount set forth in subdivision b (1), multiplied by the number of separate locations covered by the license;
  - c. Wine importer's license, \$370;
  - d. Retail off-premises winery license, \$145, which shall include a delivery permit;
  - e. Farm winery license, \$190 for any Class A license and \$3,725 for any Class B license, each of which shall include a delivery permit;
  - f. Wine shipper's license, \$95; and
  - g. Internet wine retailer license, \$150.
- 3. Beer licenses. For each:
  - a. Brewery license, if not more than 500 barrels of beer manufactured during the year in which the license is granted, \$350; if not more than 10,000 barrels of beer manufactured during the year in which the license is granted, \$2,150; and if more than 10,000 barrels manufactured during such year, \$4,300;
  - b. Bottler's license, \$1,430;
  - c. (1) Wholesale beer license, \$930 for any wholesaler who sells 300,000 cases of beer a year or less, and \$1,430 for any wholesaler who sells more than 300,000 but not more than 600,000 cases of beer a year, and \$1,860 for any wholesaler who sells more than 600,000 cases of beer a year;
  - (2) Wholesale beer license applicable to two or more premises, the annual state license tax shall be the amount set forth in subdivision c (1), multiplied by the number of separate locations covered by the license;
  - d. Beer importer's license, \$370;
  - e. Retail on-premises beer license to a hotel, restaurant, club or other person, except a common carrier of passengers by train or boat, \$145; for each such license to a common carrier of passengers by train or boat, \$145 per annum for each of the average number of boats, dining cars, buffet cars or club cars operated daily in the Commonwealth;
  - f. Retail off-premises beer license, \$120, which shall include a delivery permit;
  - g. Retail on-and-off premises beer license to a hotel, restaurant, club or grocery store located in a town or in a rural area outside the corporate limits of any city or town, \$300, which shall include a delivery permit;
  - h. Beer shipper's license, \$95; and
  - i. Retail off-premises brewery license, \$120, which shall include a delivery permit.
- 4. Wine and beer licenses. For each:
  - a. Retail on-premises wine and beer license to a hotel, restaurant, club or other person, except a common carrier of passengers by train, boat or airplane, \$300; for each such license to a common carrier of passengers by train or boat, \$300 per annum for each of the average number of boats, dining cars, buffet cars or club cars operated daily in the Commonwealth, and for each such license granted to a common carrier of passengers by airplane, \$750;
  - b. Retail on-premises wine and beer license to a hospital, \$145;
  - c. Retail off-premises wine and beer license, including each gift shop, gourmet shop and convenience grocery store license, \$230, which shall include a delivery permit;
  - d. Retail on-and-off premises wine and beer license to a hotel, restaurant or club, \$600, which shall include a delivery permit;
  - e. Banquet license, \$40 per license granted by the Board, except for banquet licenses granted by the Board pursuant to subsection A of § 4.1-215 for events occurring on more than one day, which shall be \$100 per license;
  - f. Gourmet brewing shop license, \$230;
  - g. Wine and beer shipper's license, \$95;
  - h. Annual banquet license, \$150;

182 i. Fulfillment warehouse license, \$120;  
183 j. Marketing portal license, \$150; and  
184 k. Gourmet oyster house license, \$230.  
185 5. Mixed beverage licenses. For each:  
186 a. Mixed beverage restaurant license granted to persons operating restaurants, including restaurants  
187 located on premises of and operated by hotels or motels, or other persons:  
188 (i) With a seating capacity at tables for up to 100 persons, \$560;  
189 (ii) With a seating capacity at tables for more than 100 but not more than 150 persons, \$975; and  
190 (iii) With a seating capacity at tables for more than 150 persons, \$1,430.  
191 b. Mixed beverage restaurant license for restaurants located on the premises of and operated by  
192 private, nonprofit clubs:  
193 (i) With an average yearly membership of not more than 200 resident members, \$750;  
194 (ii) With an average yearly membership of more than 200 but not more than 500 resident members,  
195 \$1,860; and  
196 (iii) With an average yearly membership of more than 500 resident members, \$2,765.  
197 c. Mixed beverage caterer's license, \$1,860;  
198 d. Mixed beverage limited caterer's license, \$500;  
199 e. Mixed beverage special events license, \$45 for each day of each event;  
200 f. Mixed beverage club events licenses, \$35 for each day of each event;  
201 g. Annual mixed beverage special events license, \$560;  
202 h. Mixed beverage carrier license:  
203 (i) \$190 for each of the average number of dining cars, buffet cars or club cars operated daily in the  
204 Commonwealth by a common carrier of passengers by train;  
205 (ii) \$560 for each common carrier of passengers by boat;  
206 (iii) \$1,475 for each license granted to a common carrier of passengers by airplane.  
207 i. Annual mixed beverage amphitheater license, \$560;  
208 j. Annual mixed beverage motor sports race track license, \$560;  
209 k. Annual mixed beverage banquet license, \$500;  
210 l. Limited mixed beverage restaurant license:  
211 (i) With a seating capacity at tables for up to 100 persons, \$460;  
212 (ii) With a seating capacity at tables for more than 100 but not more than 150 persons, \$875;  
213 (iii) With a seating capacity at tables for more than 150 persons, \$1,330;  
214 m. Annual mixed beverage motor sports facility license, \$560; and  
215 n. Annual mixed beverage performing arts facility license, \$560.  
216 6. Temporary licenses. For each temporary license authorized by § 4.1-211, one-half of the tax  
217 imposed by this section on the license for which the applicant applied.  
218 B. The tax on each such license, except banquet and mixed beverage special events licenses, shall be  
219 subject to proration to the following extent: If the license is granted in the second quarter of any year,  
220 the tax shall be decreased by one-fourth; if granted in the third quarter of any year, the tax shall be  
221 decreased by one-half; and if granted in the fourth quarter of any year, the tax shall be decreased by  
222 three-fourths.  
223 If the license on which the tax is prorated is a distiller's license to manufacture not more than 5,000  
224 gallons of alcohol or spirits, or both, during the year in which the license is granted, or a winery license  
225 to manufacture not more than 5,000 gallons of wine during the year in which the license is granted, the  
226 number of gallons permitted to be manufactured shall be prorated in the same manner.  
227 Should the holder of a distiller's license or a winery license to manufacture not more than 5,000  
228 gallons of alcohol or spirits, or both, or wine, apply during the license year for an unlimited distiller's or  
229 winery license, such person shall pay for such unlimited license a license tax equal to the amount that  
230 would have been charged had such license been applied for at the time that the license to manufacture  
231 less than 5,000 gallons of alcohol or spirits or wine, as the case may be, was granted, and such person  
232 shall be entitled to a refund of the amount of license tax previously paid on the limited license.  
233 Notwithstanding the foregoing, the tax on each license granted or reissued for a period of less than  
234 12 months shall be equal to one-twelfth of the taxes required by subsection A computed to the nearest  
235 cent, multiplied by the number of months in the license period.  
236 C. Nothing in this chapter shall exempt any licensee from any state merchants' license or state  
237 restaurant license or any other state tax. Every licensee, in addition to the taxes imposed by this chapter,  
238 shall be liable to state merchants' license taxation and state restaurant license taxation and other state  
239 taxation the same as if the alcoholic beverages were nonalcoholic. In ascertaining the liability of a beer  
240 wholesaler to merchants' license taxation, however, and in computing the wholesale merchants' license  
241 tax on a beer wholesaler, the first \$163,800 of beer purchases shall be disregarded; and in ascertaining  
242 the liability of a wholesale wine distributor to merchants' license taxation, and in computing the  
243 wholesale merchants' license tax on a wholesale wine distributor, the first \$163,800 of wine purchases

shall be disregarded.

**§ 4.1-233. Taxes on local licenses.**

A. In addition to the state license taxes, the annual local license taxes which may be collected shall not exceed the following sums:

1. Alcoholic beverages. - For each:

a. Distiller's license, *if more than 5,000 gallons but not more than 36,000 gallons manufactured during such year, \$750; if more than 36,000 gallons manufactured during such year, \$1,000; and no* local license shall be required for any person who manufactures not more than 5,000 gallons of alcohol or spirits, or both, during such license year;

b. Fruit distiller's license, \$1,500;

c. Bed and breakfast establishment license, \$40;

d. Museum license, \$10;

e. Tasting license, \$5 per license granted;

f. Equine sporting event license, \$10;

g. Day spa license, \$20;

h. Motor car sporting event facility license, \$10;

i. Meal-assembly kitchen license, \$20;

j. Canal boat operator license, \$20; and

k. Annual arts venue event license, \$20.

2. Beer. - For each:

a. Brewery license, if not more than 500 barrels of beer manufactured during the year in which the license is granted, \$250, and if more than 500 barrels of beer manufactured during the year in which the license is granted, \$1,000;

b. Bottler's license, \$500;

c. Wholesale beer license, in a city, \$250, and in a county or town, \$75;

d. Retail on-premises beer license for a hotel, restaurant or club and for each retail off-premises beer license in a city, \$100, and in a county or town, \$25; and

e. Beer shipper's license, \$10.

3. Wine. - For each:

a. Winery license, \$50;

b. Wholesale wine license, \$50;

c. Farm winery license, \$50; and

d. Wine shipper's license, \$10.

4. Wine and beer. - For each:

a. Retail on-premises wine and beer license for a hotel, restaurant or club; and for each retail off-premises wine and beer license, including each gift shop, gourmet shop and convenience grocery store license, in a city, \$150, and in a county or town, \$37.50;

b. Hospital license, \$10;

c. Banquet license, \$5 for each license granted, except for banquet licenses granted by the Board pursuant to subsection A of § 4.1-215 for events occurring on more than one day, which shall be \$20 per license;

d. Gourmet brewing shop license, \$150;

e. Wine and beer shipper's license, \$10;

f. Annual banquet license, \$15; and

g. Gourmet oyster house license, in a city, \$150, and in a county or town, \$37.50.

5. Mixed beverages. - For each:

a. Mixed beverage restaurant license, including restaurants located on the premises of and operated by hotels or motels, or other persons:

(i) With a seating capacity at tables for up to 100 persons, \$200;

(ii) With a seating capacity at tables for more than 100 but not more than 150 persons, \$350; and

(iii) With a seating capacity at tables for more than 150 persons, \$500.

b. Private, nonprofit club operating a restaurant located on the premises of such club, \$350;

c. Mixed beverage caterer's license, \$500;

d. Mixed beverage limited caterer's license, \$100;

e. Mixed beverage special events licenses, \$10 for each day of each event;

f. Mixed beverage club events licenses, \$10 for each day of each event;

g. Annual mixed beverage amphitheater license, \$300;

h. Annual mixed beverage motor sports race track license, \$300;

i. Annual mixed beverage banquet license, \$75;

j. Limited mixed beverage restaurant license:

(i) With a seating capacity at tables for up to 100 persons, \$100;

305 (ii) With a seating capacity at tables for more than 100 but not more than 150 persons, \$250;

306 (iii) With a seating capacity at tables for more than 150 persons, \$400;

307 k. Annual mixed beverage motor sports facility license, \$300; and

308 l. Annual mixed beverage performing arts facility license, \$300.

309 B. Common carriers. - No local license tax shall be either charged or collected for the privilege of  
310 selling alcoholic beverages in (i) passenger trains, boats or airplanes and (ii) rooms designated by the  
311 Board of establishments of air carriers of passengers at airports in the Commonwealth for on-premises  
312 consumption only.

313 C. Merchants' and restaurants' license taxes. - The governing body of each county, city or town in  
314 the Commonwealth, in imposing local wholesale merchants' license taxes measured by purchases, local  
315 retail merchants' license taxes measured by sales, and local restaurant license taxes measured by sales,  
316 may include alcoholic beverages in the base for measuring such local license taxes the same as if the  
317 alcoholic beverages were nonalcoholic. No local alcoholic beverage license authorized by this chapter  
318 shall exempt any licensee from any local merchants' or local restaurant license tax, but such local  
319 merchants' and local restaurant license taxes may be in addition to the local alcoholic beverage license  
320 taxes authorized by this chapter.

321 The governing body of any county, city or town, in adopting an ordinance under this section, shall  
322 provide that in ascertaining the liability of (i) a beer wholesaler to local merchants' license taxation  
323 under the ordinance, and in computing the local wholesale merchants' license tax on such beer  
324 wholesaler, purchases of beer up to a stated amount shall be disregarded, which stated amount shall be  
325 the amount of beer purchases which would be necessary to produce a local wholesale merchants' license  
326 tax equal to the local wholesale beer license tax paid by such wholesaler and (ii) a wholesale wine  
327 licensee to local merchants' license taxation under the ordinance, and in computing the local wholesale  
328 merchants' license tax on such wholesale wine licensee, purchases of wine up to a stated amount shall  
329 be disregarded, which stated amount shall be the amount of wine purchases which would be necessary  
330 to produce a local wholesale merchants' license tax equal to the local wholesale wine licensee license tax  
331 paid by such wholesale wine licensee.

332 D. Delivery. - No county, city or town shall impose any local alcoholic beverages license tax on any  
333 wholesaler for the privilege of delivering alcoholic beverages in the county, city or town when such  
334 wholesaler maintains no place of business in such county, city or town.

335 E. Application of county tax within town. - Any county license tax imposed under this section shall  
336 not apply within the limits of any town located in such county, where such town now, or hereafter,  
337 imposes a town license tax on the same privilege.

338 **§ 15.2-2288.3:2. Limited distiller's license; local regulation of certain activities.**

339 *A. Local restriction upon activities and public events of distilleries licensed pursuant to subdivision 2*  
340 *of § 4.1-206 to market and sell their products shall be reasonable and shall take into account the*  
341 *economic impact on such licensed distillery of such restriction, the agricultural nature of such activities*  
342 *and events, and whether such activities and events are usual and customary for such licensed*  
343 *distilleries. Usual and customary activities and events at such licensed distilleries shall be permitted*  
344 *unless there is a substantial impact on the health, safety, or welfare of the public. No local ordinance*  
345 *regulating noise, other than outdoor amplified music, arising from activities and events at such licensed*  
346 *distilleries shall be more restrictive than that in the general noise ordinance. In authorizing outdoor*  
347 *amplified music at such licensed distillery, the locality shall consider the effect on adjacent property*  
348 *owners and nearby residents.*

349 *B. No locality shall regulate any of the following activities of a distillery licensed under subdivision*  
350 *2 of § 4.1-206:*

351 *1. The production and harvesting of agricultural products and the manufacturing of alcoholic*  
352 *beverages other than wine or beer;*

353 *2. The on-premises sale, tasting, or consumption of alcoholic beverages other than wine or beer*  
354 *during regular business hours within the normal course of business of such licensed distillery;*

355 *3. The direct sale and shipment of alcoholic beverages other than wine or beer in accordance with*  
356 *Title 4.1 and regulations of the Alcoholic Beverage Control Board;*

357 *4. The sale and shipment of alcoholic beverages other than wine or beer to licensed wholesalers and*  
358 *out-of-state purchasers in accordance with Title 4.1, regulations of the Alcoholic Beverage Control*  
359 *Board, and federal law;*

360 *5. The storage and warehousing of alcoholic beverages other than wine or beer in accordance with*  
361 *Title 4.1, regulations of the Alcoholic Beverage Control Board, and federal law; or*

362 *6. The sale of items related to alcoholic beverages other than wine or beer that are incidental to the*  
363 *sale of such alcoholic beverages.*

364 *C. Any locality may exempt any distillery licensed in accordance with subdivision 2 of § 4.1-206 on*  
365 *land zoned agricultural from any local regulation of minimum parking, road access, or road upgrade*  
366 *requirements.*