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HOUSE BILL NO. 2029

Offered January 11, 2017

Prefiled January 10, 2017

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; privileges of licensed distillers appointed as agents of the Alcoholic Beverage Control Board.

Patrons—Freitas and Kory

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, 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, and products licensed by the Virginia Tourism Corporation as specified in § 4.1-103 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 (i) on the distiller's licensed premises or (ii) *at the site of an event conducted for the purpose of featuring and educating the consuming public about spirits products.*

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 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, at which 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

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59 pursuant to subsection D may give samples of spirits, beer, wine, or cider to persons to whom alcoholic
60 beverages may be lawfully sold for on-premises consumption, provided that (i) the spirits, beer, wine, or
61 cider samples are manufactured within the same licensed premises or on contiguous premises of such
62 agent licensed as a distillery, brewery, or winery; (ii) no single sample shall exceed four ounces of beer,
63 two ounces of wine, or one-half ounce of spirits, unless served as a mixed beverage, in which case a
64 single sample may contain up to one and one-half ounces of spirits; (iii) no more than four total samples
65 of alcoholic beverage products or, in the case of spirits samples, no more than three ounces of spirits
66 shall be given or sold to any person per day; and (iv) in the case of spirits samples, a method is used to
67 track the consumption of each consumer. Nothing in this paragraph shall prohibit such agent from
68 serving samples of spirits as part of a mixed beverage.

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

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

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

81 **§ 4.1-119. (Effective July 1, 2018) Operation of government stores.**

82 A. Subject to the requirements of §§ 4.1-121 and 4.1-122, the Board may establish, maintain, and
83 operate government stores for the sale of alcoholic beverages, other than beer and wine not produced by
84 farm wineries, vermouth, mixers, products used in connection with distilled spirits, including any garnish
85 or garnishment applied to the rim of a glass of distilled spirits, as may be approved by the Board from
86 time to time, and products licensed by the Virginia Tourism Corporation as specified in § 4.1-103 in
87 such counties, cities, and towns considered advisable by the Board. The Board may discontinue any such
88 store.

89 B. With respect to the sale of wine produced by farm wineries, the Board may give preference to
90 farm wineries that produce 2,500 cases or less of wine per year.

91 C. The Board shall fix the wholesale and retail prices at which the various classes, varieties and
92 brands of alcoholic beverages and other Board-approved products that are sold in government stores.
93 Differences in the cost of operating stores, and market competition and conditions may be reflected in
94 the sale price of alcoholic beverages sold at government stores. The Board may sell alcoholic beverages
95 to federal instrumentalities (i) authorized and operating under the laws of the United States and
96 regulations of the United States Department of Defense and (ii) located within the boundaries of federal
97 enclaves or reservations over which the United States has acquired jurisdiction, at prices which may be
98 greater or less than the wholesale price charged other authorized purchasers. Nothing in this subsection
99 shall be construed to limit the authority of the Board to fix the retail price of alcoholic beverages sold at
100 government stores, which retail price may include promotional, volume, or other discounts deemed
101 appropriate by the Board.

102 D. Alcoholic beverages at government stores shall be sold by employees of the Authority who shall
103 carry out the provisions of this title and Board regulations governing the operation of government stores
104 and the sale of alcoholic beverages, except that the Board may appoint the holder of a distiller's license
105 or its officers and employees as agents of the Board for the sale of spirits, manufactured by or for, or
106 blended by such licensee on the licensed premises, at government stores established by the Board (i) on
107 the distiller's licensed premises or (ii) *at the site of an event conducted for the purpose of featuring and*
108 *educating the consuming public about spirits products.*

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

111 For the purposes of this subsection, "blended" means the receipt by a licensed distiller of deliveries
112 and shipments of alcoholic beverages, other than wine and beer, in accordance with subdivision 6 of §
113 4.1-201 to be (i) additionally aged by the receiving distillery in order to increase the quality and flavor
114 of such alcoholic beverages and (ii) bottled by the receiving distillery.

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

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

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

128 Notwithstanding the provision of this subsection to the contrary, an agent of the Board appointed
129 pursuant to subsection D may give samples of spirits, beer, wine, or cider to persons to whom alcoholic
130 beverages may be lawfully sold for on-premises consumption, provided that (i) the spirits, beer, wine, or
131 cider samples are manufactured within the same licensed premises or on contiguous premises of such
132 agent licensed as a distillery, brewery, or winery; (ii) no single sample shall exceed four ounces of beer,
133 two ounces of wine, or one-half ounce of spirits, unless served as a mixed beverage, in which case a
134 single sample of spirits may contain up to one and one-half ounces of spirits; (iii) no more than four
135 total samples of alcoholic beverage products or, in the case of spirits samples, no more than three
136 ounces of spirits shall be given or sold to any person per day; and (iv) in the case of spirits samples, a
137 method is used to track the consumption of each consumer. Nothing in this paragraph shall prohibit such
138 agent from serving samples of spirits as part of a mixed beverage.

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

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

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