

20107002D

## SENATE BILL NO. 698

## AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Finance and Appropriations  
on January 29, 2020)

(Patron Prior to Substitute—Senator Mason)

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; distiller licenses; monthly revenue transfers.*

**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, 2020) 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, low alcohol beverage coolers, 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 or cider produced by farm wineries, the Board may give preference to farm wineries that produce 2,500 cases or less of wine or cider 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. Nothing in this subsection shall be construed to limit the authority of the Board to fix the retail price of alcoholic beverages sold at government stores, which retail price may include promotional, volume, or other discounts deemed appropriate by the Board.

D. Alcoholic beverages at government stores shall be sold by employees of the Authority 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 and low alcohol beverage coolers, 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 licensed by the Board and conducted for the purpose of featuring and educating the consuming public about spirits products.

Such agents shall sell the spirits and low alcohol beverage coolers in accordance with the provisions of this title, Board regulations, and the terms of the agency agreement between the Authority and the licensed distiller. The Authority shall pay a licensed distiller making sales pursuant to an agreement authorized by this subsection a commission of not less than 20 percent of the retail price of the goods sold. *If the licensed distiller meets certain requirements established by the Board, such agreement may allow monthly revenue transfers from the licensed distiller to the Board to be submitted electronically and, notwithstanding the provisions of §§ 2.2-1802 and 4.1-116, to be limited to the amount due to the Board in applicable taxes and markups.*

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 (a)(1) additionally aged by the receiving distillery in order to increase the quality and flavor of such alcoholic beverages or (2) used in a low alcohol beverage cooler and (b) 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 151 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.

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

67 Notwithstanding the provision of this subsection to the contrary, an agent of the Board appointed  
68 pursuant to subsection D may give samples of spirits, beer, wine, or cider to persons to whom alcoholic  
69 beverages may be lawfully sold for on-premises consumption, provided that (i) the spirits, beer, wine, or  
70 cider samples are manufactured within the same licensed premises or on contiguous premises of such  
71 agent licensed as a distillery, brewery, or winery; (ii) no single sample shall exceed four ounces of beer,  
72 two ounces of wine or cider, or one-half ounce of spirits, unless served as a mixed beverage, in which  
73 case a single sample of spirits may contain up to one and one-half ounces of spirits; (iii) no more than  
74 four total samples of alcoholic beverage products or, in the case of spirits samples, no more than three  
75 ounces of spirits shall be given or sold to any person per day; and (iv) in the case of spirits samples, a  
76 method is used to track the consumption of each consumer. Nothing in this paragraph shall prohibit such  
77 agent from serving samples of spirits as part of a mixed beverage. Such mixed beverage samples may  
78 contain spirits or vermouth not manufactured on the licensed premises or on contiguous premises of the  
79 licensed distillery, provided that at least 75 percent of the alcohol used in such samples is manufactured  
80 on the licensed premises or on contiguous premises of the licensed distillery. An agent of the Board  
81 appointed pursuant to subsection D may keep on the licensed premises no more than 10 varieties of  
82 spirits or vermouth not manufactured on the licensed premises or on contiguous premises of the licensed  
83 distillery. Any spirits or vermouth used in such samples that are not manufactured on the licensed  
84 premises or on contiguous premises of the licensed distillery shall be purchased from the Board.

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

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

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

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

104 **§ 4.1-119. (Effective July 1, 2020, until July 1, 2022) Operation of government stores.**

105 A. Subject to the provisions of §§ 4.1-121 and 4.1-122, the Board may establish, maintain, and  
106 operate government stores for the sale of alcoholic beverages, other than beer and wine not produced by  
107 farm wineries, low alcohol beverage coolers, vermouth, mixers, products used in connection with  
108 distilled spirits, including any garnish or garnishment applied to the rim of a glass of distilled spirits, as  
109 may be approved by the Board from time to time, and products licensed by the Virginia Tourism  
110 Corporation as specified in § 4.1-103 in such counties, cities, and towns considered advisable by the  
111 Board. The Board may discontinue any such store.

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

114 C. The Board shall fix the wholesale and retail prices at which the various classes, varieties and  
115 brands of alcoholic beverages and other Board-approved products that are sold in government stores.  
116 Differences in the cost of operating stores, and market competition and conditions may be reflected in  
117 the sale price of alcoholic beverages sold at government stores. The Board may sell alcoholic beverages  
118 to federal instrumentalities (i) authorized and operating under the laws of the United States and  
119 regulations of the United States Department of Defense and (ii) located within the boundaries of federal  
120 enclaves or reservations over which the United States has acquired jurisdiction, at prices which may be  
121 greater or less than the wholesale price charged other authorized purchasers. Nothing in this subsection

shall be construed to limit the authority of the Board to fix the retail price of alcoholic beverages sold at government stores, which retail price may include promotional, volume, or other discounts deemed appropriate by the Board.

D. Alcoholic beverages at government stores shall be sold by employees of the Authority 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 and low alcohol beverage coolers, 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 licensed by the Board and conducted for the purpose of featuring and educating the consuming public about spirits products.

Such agents shall sell the spirits and low alcohol beverage coolers in accordance with the provisions of this title, Board regulations, and the terms of the agency agreement between the Authority and the licensed distiller. The Authority shall pay a licensed distiller making sales pursuant to an agreement authorized by this subsection a commission of not less than 20 percent of the retail price of the goods sold. ~~Monthly~~ *If the licensed distiller meets certain requirements established by the Board, such agreement may allow monthly* revenue transfers from the licensed distiller to the Board ~~(a) may to be submitted electronically and through other methods approved by the Board and (b), notwithstanding the provisions of §§ 2.2-1802 and 4.1-116, shall to be limited to the amount due to the Board in applicable taxes and markups.~~

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 (a)(1) additionally aged by the receiving distillery in order to increase the quality and flavor of such alcoholic beverages or (2) used in a low alcohol beverage cooler and (b) 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 151 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 pursuant to subsection D may give samples of spirits, beer, wine, or cider to persons to whom alcoholic beverages may be lawfully sold for on-premises consumption, provided that (i) the spirits, beer, wine, or cider samples are manufactured within the same licensed premises or on contiguous premises of such agent licensed as a distillery, brewery, or winery; (ii) no single sample shall exceed four ounces of beer, two ounces of wine or cider, or one-half ounce of spirits, unless served as a mixed beverage, in which case a single sample of spirits may contain up to one and one-half ounces of spirits; (iii) no more than four total samples of alcoholic beverage products or, in the case of spirits samples, no more than three ounces of spirits shall be given or sold to any person per day; and (iv) in the case of spirits samples, a method is used to track the consumption of each consumer. Nothing in this paragraph shall prohibit such agent from serving samples of spirits as part of a mixed beverage. Such mixed beverage samples may contain spirits or vermouth not manufactured on the licensed premises or on contiguous premises of the licensed distillery, provided that at least 75 percent of the alcohol used in such samples is manufactured on the licensed premises or on contiguous premises of the licensed distillery. An agent of the Board appointed pursuant to subsection D may keep on the licensed premises no more than 10 varieties of spirits or vermouth not manufactured on the licensed premises or on contiguous premises of the licensed distillery. Any spirits or vermouth used in such samples that are not manufactured on the licensed premises or on contiguous premises of the licensed distillery shall be purchased from the Board.

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

Any case fee charged to a licensed distiller by the Board for moving spirits from the production and bailment area to the tasting area of a government store established by the Board on the distiller's licensed premises shall be waived if such spirits are moved by employees of the licensed distiller.

H. With respect to purchases by licensees at government stores, the Authority shall (i) accept in

183 payment for any purchase or series of purchases cash, electronic fund transfer, credit or debit card, or  
184 check payable to the Authority, in the exact amount of any such purchase or series of purchases and (ii)  
185 provide notice to licensees on Board policies relating to the assignment of government stores from  
186 which licensees may purchase products and any procedure for the licensee to elect to make purchases  
187 from an alternative government store.

188 I. With respect to purchases by consumers at government stores, the Authority shall accept cash in  
189 payment for any purchase or series of purchases. The Board may adopt regulations which provide for  
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191 appropriate, of related fees, penalties and service charges for the use of a credit card or debit card by  
192 any consumer.

193 J. Before the Authority implements any increase in the markup on distilled spirits or any change to  
194 the markup formula for distilled spirits pursuant to § 4.1-235 that would result in an increase in the  
195 retail price of distilled spirits sold to the public, the Authority shall (i) provide at least 45 days' public  
196 notice before such a price increase takes effect; (ii) provide the opportunity for submission of written  
197 comments regarding the proposed price increase; (iii) conduct a public meeting for the purpose of  
198 receiving verbal comment regarding the proposed price increase; and (iv) consider any written or verbal  
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204 distilled spirits, including any garnish or garnishment applied to the rim of a glass of distilled spirits, as  
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206 Corporation as specified in § 4.1-103 in such counties, cities, and towns considered advisable by the  
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209 preference to farm wineries that produce 2,500 cases or less of wine or cider per year.

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219 government stores, which retail price may include promotional, volume, or other discounts deemed  
220 appropriate by the Board.

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222 carry out the provisions of this title and Board regulations governing the operation of government stores  
223 and the sale of alcoholic beverages, except that the Board may appoint the holder of a distiller's license  
224 or its officers and employees as agents of the Board for the sale of spirits and low alcohol beverage  
225 coolers, manufactured by or for, or blended by such licensee on the licensed premises, at government  
226 stores established by the Board (i) on the distiller's licensed premises or (ii) at the site of an event  
227 licensed by the Board and conducted for the purpose of featuring and educating the consuming public  
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229 Such agents shall sell the spirits and low alcohol beverage coolers in accordance with the provisions  
230 of this title, Board regulations, and the terms of the agency agreement between the Authority and the  
231 licensed distiller. The Authority shall pay a licensed distiller making sales pursuant to an agreement  
232 authorized by this subsection a commission of not less than 20 percent of the retail price of the goods  
233 sold. ~~Monthly~~ *If the licensed distiller meets certain requirements established by the Board, such*  
234 *agreement may allow monthly* revenue transfers from the licensed distiller to the Board ~~(a) may to be~~  
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239 and shipments of alcoholic beverages, other than wine and beer, in accordance with subdivision 6 of  
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242 receiving distillery.

243 E. No Class 1 neutral grain spirit or alcohol, as defined by federal regulations, that is without  
244 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.

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

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

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