

File Number: H.F. 791

Date: March 19, 2018

Version: The delete everything amendment (H0791DE1)

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Subject: Direct wine shippers

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Overview

Minnesota allows a winery to ship up to two cases of wine to a resident of Minnesota each year. Wineries that ship wine under this law are exempt from paying the state's alcohol excise tax (farm wineries also have a separate excise tax exemption). In-state wineries must collect and remit the state's sales and alcohol gross receipts tax on wine sold and shipped to Minnesota residents; out-of-state may not be subject to these same tax requirements due to their status as remote sellers under federal law.

HF 791, as amended, would require out-of-state wineries to obtain a direct ship license from the commissioner of public safety prior to shipping wine into the state. In addition, the bill strikes the excise tax exemption for direct shipped wine, imposes the obligation to collect and remit sales tax on the direct ship winery, and requires a direct ship winery to remit the 2.5 % alcohol gross receipts tax.

Lastly, this bill includes a clarifying anti-bootlegging provision stating that liquor shipments into Minnesota are illegal, unless shipped under the proposed direct ship law.

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- 1 Direct wine shipments.** Creates a cross reference for the data privacy and sharing provisions in sections 8 and 9.
- 2 Tax collection required.** Amends the alcohol gross receipts tax to require a direct ship winery to collect the alcohol gross receipts tax from the purchaser.

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- 3** **Persons applying.** Requires a direct ship winery to obtain a sales tax permit. Under section 297A.62, the state sales and use tax is imposed on sales by a person required to have a permit.
- 4** **Exemptions.** Strikes the current exemption from the alcohol excise tax for direct ship wine.
- 5** **Alcohol enforcement account; appropriations.** Authorizes expenditures from the alcohol enforcement account to administer section 8 and 10.
- 6** **License suspension and revocation.** Allows the commissioner of public safety to revoke or suspend a direct ship license, or impose a fine, for a violation of the direct ship law.
- 7** **Shipments into Minnesota.** Increases the amount of wine a winery can ship to a resident of the state from two cases per year to 12 cases. Allows delivery of a shipment to be deemed a sale in this state. Applies the current penalty provisions related to direct shipped wine to a person violating the direct ship law or the new anti-bootlegging provisions.
- 8** **Prohibition on unauthorized direct shipments of wine.** Establishes a new licensing requirement for wineries shipping wine under the state’s direct ship law. To obtain a license, a direct ship winery must agree to pay all applicable liquor taxes.

Subd. 1. Definitions. Defines “direct ship purchaser” as a person who purchases wine for personal use, from a winery outside Minnesota and “direct ship winery” as a winery licensed in a state other than Minnesota that ships wine to a direct ship purchaser.

Subd. 2. License requirements. Requires a direct ship winery to obtain a direct ship license for an annual fee of \$50 from the commissioner of public safety. A direct ship winery must furnish shipping information to the commissioner and agree to collect and pay the alcohol gross receipts, sales and use, and wine excise taxes. The annual fee is dedicated to the alcohol enforcement account.

Subd. 3. Direct ship wineries; restrictions. Requires a direct ship winery to only ship wine from a shipper disclosed to the commissioner and prohibits the winery from shipping wine that is not produced by that winery.

Subd. 4. Taxation. Requires a direct ship winery to agree to pay all taxes applicable to liquor and send the commissioner a report showing each shipment of wine made to a resident of this state.

Subd. 5. Private or nonpublic data; classification and sharing. Classifies the required data to be collected under this section as private data, but allows data sharing between the commissioners of public safety and revenue.

Subd. 6. Enforcement; penalties. Applies the penalty provisions of section 7 to violations of this section.

- 9** **Common carrier regulations for direct shipped wine.** Requires common carriers shipping direct shipped wine to provide a monthly report to the commissioner of public safety detailing the direct wine shipments made into the state.

Subd. 1. Monthly report required. Requires a common carrier shipping wine for a direct ship winery to file a wine shipment report with the commissioner containing

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information about the common carrier, reporting time period, shipper, recipient, weight of packages, tracking numbers, and dates of delivery.

Subd. 2. Record availability and retention. Requires records supporting the report in subdivision 1 to be kept for two years and made available to the commissioner upon request, who may share the reports with law enforcement.

Subd. 3. Penalty. Authorizes the commissioner of public safety to impose a fine for violating the reporting requirement in an amount not to exceed \$50 per violation.

Subd. 4. Exemptions. Exempts common rail carriers from the reporting requirements established in this section.

Subd. 5. Private or nonpublic data; classification and sharing. Provides that certain customer data required to be reported under subdivision 1 is classified as private data, but allows for information sharing between the commissioners of public safety and revenue.

- 10 Bootlegging prohibited.** Clarifies that no shipments of alcoholic beverages for personal use may be made to a resident of this state unless the shipper is an off-sale licensee or a licensed direct ship winery and applies the penalties in section 7 to a violation of this section.