

File Number: H.F. 1831

Date: March 1, 2018

Version: First engrossment

Authors: Loonan and others

Subject: Minnesota grape and wine council

Analyst: Christopher Kleman (christopher.kleman@house.mn)
Colbey Sullivan

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd/.

Overview

This bill establishes a grape and wine growers council that would administer a grant program to promote and develop the Minnesota wine and grape industries. The program would be funded through a new Minnesota grape and wine account.

This new account would be funded with a percentage of the alcohol gross receipts and sales taxes. To this end, H.F. 1831, imposes the gross receipts tax on a direct shipper of wine and requires a shipper to collect and remit sales and use tax, to the extent allowed under federal law.

This bill also amends Minnesota's direct shipped wine law that allows a winery to ship up to two cases of wine to a Minnesota resident each year, by requiring direct shippers to obtain a license and imposing certain reporting obligations on them.

Section

1 Minnesota grape and wine council.

Subd. 1. Establishment; membership. Establishes a 15 member council that must include five wine growers, two grape growers, one member each of the Minnesota Farm Winery Association, Minnesota Grape Growers Association, Explore Minnesota Tourism, one member representing Minnesota grown, one member representing the commissioner of agriculture, and one member each from the Minnesota Licensed Beverage Association, Minnesota Municipal Beverage Association, and Minnesota Cider Guild.

Section

Creates staggered 3-year terms for members, who are appointed by the commissioner of agriculture.

Subd. 2. Powers and duties. Provides the council with the power to establish a program that provides grants for promotion, education, and development of Minnesota wine and grapes.

Subd. 3. Rules. Exempts the commissioner from the rulemaking provisions of chapter 14.

2 **Minnesota grape and wine program.**

Subd. 1. Eligible projects. Establishes standards for project eligibility, which must relate to the promotion, education, or development of the Minnesota wine industry. The council may also provide grants to expand grape production and recommend funding for extension agents to work with growers and wineries.

Subd. 2. Awarding grants. Establishes administrative provisions for grant applications and approval. Requires annual progress reports from grant recipients.

Subd. 3. Annual audit. Requires the council to file an annual financial audit.

3 **Minnesota grape and wine account.** Establishes the grape and wine account in the agricultural fund. Funds may be used by the commissioner of agriculture for grants, administrative support, and to recover indirect costs under section 16A.127.

4 **Definitions.** Adds a definition of “direct shipper” to the definitions found in the alcohol gross receipts section. A “direct shipper” is defined as a winery holding the direct shipper license required in section 9.

Effective for sales and purchases made after June 30, 2018.

5 **Gross receipts tax imposed.** Imposes the alcohol gross receipts tax of 2.5 percent on direct wine shippers.

Effective for sales and purchases made after June 30, 2018.

6 **Deposit of revenues.** Requires the commissioner of revenue to deposit a portion of the alcohol gross receipts tax into the Minnesota grape and wine account created in section 3, by an unspecified amount starting August 1, 2018, and by a fractional amount of an amount calculated with reference to the tax paid by direct shippers relative to the tax collected under chapter 295.

Effective for sales and purchases made after June 30, 2018.

7 **Retailer not maintaining a place of business in the state.** Requires a remote seller of wine who is a licensed direct shipper to collect and remit sales and use tax, to the extent allowed under federal law, and imposes a rebuttable presumption on licensed direct shippers that they are engaged in regular solicitation within the state.

Effective for sales and purchases made after June 30, 2018.

8 **Deposit of revenues.** Requires the commissioner of revenue to deposit a portion of the sales tax revenues in the Minnesota grape and wine account in a manner similar to what is prescribed in section 6.

Section

Effective for sales and purchases made after June 30, 2018.

9 Direct wine shipments; license required.

Subd. 1. Direct shipper license. Amends Minnesota's direct ship wine law by requiring direct shippers to obtain a license. Licenses are annual, and require an application and fee, a wine manufacturing permit, and a Minnesota sales and use tax permit. Applicants must also be current on all state taxes.

Also requires that direct shippers only ship wine in accordance with their federal permit, deems shippers to have consented to state jurisdiction, and prohibits shipments of wine into the state from anyone not holding a direct shipper license.

Subd. 2. Reporting. Requires annual or quarterly reporting by direct shippers detailing shipper information, total liters of wine shipped, and the date, quantity and purchase price of each shipment and taxes paid.

Subd. 3. Penalties. Reorganizes the penalty paragraph in section 340A.417, as well as the other paragraphs, into subdivisions.

Effective January 1, 2019.