MN HOUSE RESEARCH

Bill Summary

H.F. 2675

As introduced

Subject	Direct shipped wine
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Date	March 11, 2025

Overview

Under current law, up to two cases of wine per year may be shipped by an in- or out-of-state winery to a resident of the state. This bill would allow a winery to ship up to 12 cases per year but would require all out-of-state direct ship wineries to obtain a license if they ship into the state.

In addition, the bill would require direct ship wineries to pay all liquor-related taxes. Currently, the wine excise tax does not apply to direct shipped wine. This exemption is eliminated in the bill. The bill would also require a direct ship winery to collect and remit sales tax on all sales into the state, and pay the alcohol gross receipts tax as well.

The bill would also impose reporting requirements on direct ship wineries and common carriers to aid in enforcing the proposed regulations.

Summary

Section	Description
1	**Direct wine shipments.** Creates a cross-reference in the data practices chapter to the data classification provisions in section 8 and 9 of the bill.
2	**Tax collection required.** Requires a direct ship winery, as defined in section 8 of the bill, to collect the alcohol gross receipts tax.
3	**Persons applying.** Requires a direct ship winery to obtain a permit from the Department of Revenue to collect sales tax. Persons required to have a sales tax permit are required under another section of law to then collect and remit sales tax.

Section	Description

4 **Exemptions.**

Eliminates the alcohol excise tax exemption for direct shipments of wine.

5 **Alcohol enforcement account; appropriation.**

Appropriates money from the alcohol enforcement account for costs to the Alcohol and Gambling Enforcement Division in enforcing the new regulatory provisions in sections 8 and 10 of the bill.

6 **License suspension and revocation.**

Applies the liquor license suspension and revocation provisions to direct ship winery licensees under section 8.

7 **Shipments into Minnesota.**

- Increases the current law maximum number of cases that may be shipped to Minnesota residents from two to 12.
- Strikes the language in current law that deems deliveries of direct shipped wine to not be in-state sales.
- Applies the current law penalties for violating the direct shipped wine law to violations arising under sections 8 and 10 of the bill and clarifies that the violation of tax laws by direct ship wineries are not subject to the exclusive remedies provided by this paragraph.

8 **Direct shipments of wine; licensing, taxation, and restrictions.**

This section creates regulatory and taxation requirements for direct ship wineries.

- Subdivision 1 creates definitions for this new section of law.
  - A “direct ship purchaser” is a person who purchases direct shipped wine for personal use from an out-of-state winery to a Minnesota address.
  - A “direct ship winery” is a licensed out-of-state winery that sells and ships wine to a direct ship purchaser.

- Subdivision 2 creates new licensing requirements for direct ship wineries. The license fee is $50 and is required to be deposited in the alcohol enforcement account. To obtain a license, a direct ship winery must:
  - provide a copy of its license;
  - provide a shipping address list;
  - agree to pay the required state alcohol taxes;
  - agree to the jurisdiction of Minnesota courts, laws, and applicable agencies of the state; and
  - annually renew its license.

Section	Description

- Subdivision 3 prohibits a direct ship winery from shipping wine to any address other than an address provided to the commissioner of public safety under subdivision 2, or from shipping wine through a third-party purchaser whose name and address has not been provided to the commissioner. In addition, only wine from the direct ship winery's own production may be shipped into the state.
- Subdivision 4 requires a direct ship winery to pay the applicable alcohol gross receipts tax, sales tax, and wine excise tax and provide the commissioner of public safety a list of shipments made into the state.
- Subdivision 5 classifies the data collected under this section as private data, and requires the commissioner of public safety to share this data with the commissioner of revenue.
- Subdivision 6 imposes the penalties provided in section 7 of the bill to violations of this section.

9 **Common carrier regulations for direct shipped wine.**

- Subdivision 1 requires common carriers to file a monthly report with the commissioner of public safety detailing the shipments of wine the common carrier has made into the state from a direct ship winery. The report must include:
  - the name of the common carrier;
  - the reporting period;
  - the name and address of the person causing the wine to be shipped;
  - the name and address of the recipients;
  - the weight of each package;
  - a unique tracking number; and
  - the date of delivery.
- Subdivision 2 requires the report under subdivision 1 to be retained for two years and to be made available for inspection by the commissioner of public safety. The reports must also be made available to law enforcement agencies or local regulatory authorities.
- Subdivision 3 imposes a fine of $500 on a common carrier each violation of the reporting requirements after the first violation.
- Subdivision 4 exempts railroad carriers from the reporting requirement under this section.
- Subdivision 5 classifies the data collected under this section as private data, and requires the commissioner of public safety to share this data with the commissioner of revenue.

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