

1 SENATE BILL NO. 424  
23 AMENDMENT IN THE NATURE OF A SUBSTITUTE  
45 (Proposed by the Senate Committee on Rehabilitation and Social Services  
6

7 on \_\_\_\_\_)

8 (Patron Prior to Substitute—Senator Perry)

9 *A BILL to amend and reenact §§ 4.1-119 and 4.1-206.1 of the Code of Virginia, relating to alcoholic  
10 beverage control; government stores; distiller's licensees as agents of the Board; sale of alcoholic  
11 beverages.*12 **Be it enacted by the General Assembly of Virginia:**13 **1. That §§ 4.1-119 and 4.1-206.1 of the Code of Virginia are amended and reenacted as follows:**14 **§ 4.1-119. Operation of government stores.**15 A. Subject to the provisions of §§ 4.1-121 and 4.1-122, the Board may establish, maintain, and operate  
16 government stores for the sale of spirits, nonalcoholic spirit alternatives, wine produced by farm wineries,  
17 low alcohol beverage coolers produced by licensed distillers, vermouth, mixers, products used in connection  
18 with distilled spirits, including any garnish or garnishment applied to the rim of a glass of distilled spirits, as  
19 may be approved by the Board from time to time, and products licensed by the Virginia Tourism Corporation  
20 as specified in § 4.1-103 in such counties, cities, and towns considered advisable by the Board. The Board  
21 may discontinue any such store.22 B. With respect to the sale of wine or cider produced by farm wineries, the Board may give preference to  
23 farm wineries that produce 2,500 cases or less of wine or cider per year.24 C. The Board shall fix the wholesale and retail prices at which the various classes, varieties and brands of  
25 alcoholic beverages and other Board-approved products that are sold in government stores. Differences in the  
26 cost of operating stores, and market competition and conditions may be reflected in the sale price of alcoholic  
27 beverages sold at government stores. The Board may sell alcoholic beverages to federal instrumentalities (i)  
28 authorized and operating under the laws of the United States and regulations of the United States Department  
29 of Defense and (ii) located within the boundaries of federal enclaves or reservations over which the United  
30 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.

31        D. Alcoholic beverages at government stores shall be sold by employees of the Authority who shall carry  
32        out the provisions of this subtitle and Board regulations governing the operation of government stores and the  
33        sale of alcoholic beverages, except that the Board may appoint the holder of a distiller's license or its officers  
34        and employees as agents of the Board for the sale of spirits and low alcohol beverage coolers, manufactured  
35        by or for, or blended by such licensee on the licensed premises, at government stores established by the  
36        Board (i) on the distiller's licensed premises or (ii) at the site of an event licensed by the Board and conducted  
37        for the purpose of featuring and educating the consuming public about spirits products.

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

46        For the purposes of this subsection, "blended" means the receipt by a licensed distiller of deliveries and  
47        shipments of alcoholic beverages, other than wine and beer, in accordance with subdivision A 6 of § 4.1-201  
48        to be (a) (1) additionally aged by the receiving distillery in order to increase the quality and flavor of such  
49        alcoholic beverages or (2) used in a low alcohol beverage cooler and (b) bottled by the receiving distillery.

50        E. No Class 1 neutral grain spirit or alcohol, as defined by federal regulations, that is without distinctive  
51        character, aroma, taste or color shall be sold in government stores at a proof greater than 151 except upon  
52        permits issued by the Board for industrial, commercial, culinary, or medical use.

53        F. All alcoholic beverages sold in government stores, except for ~~tasting samples~~ *products sold for on-*  
54        *premises consumption* pursuant to subsection G ~~sold~~ in government stores established by the Board on a  
55        distiller's licensed premises, shall be in closed containers, sealed and affixed with labels prescribed by the  
56        Board.

57        G. No alcoholic beverages shall be consumed in a government store by any person unless it is part of an  
58        organized tasting event conducted by (i) an employee of a manufacturer of distilled spirits or farm winery or  
59        (ii) an authorized representative of a manufacturer of distilled spirits or farm winery with a permit issued by  
60        the Board pursuant to subdivision A 14 of § 4.1-212, at which the samples of alcoholic beverages provided to

61 any consumer do not exceed the limits for spirits or wine set forth in subdivision A 5 of § 4.1-201.1. No  
62 sample may be consumed by any individual to whom alcoholic beverages may not lawfully be sold pursuant  
63 to § 4.1-304.

64 Notwithstanding the provision of this subsection to the contrary, an agent of the Board appointed pursuant  
65 to subsection D may ~~give samples of~~ sell spirits, beer, wine, or cider to persons to whom alcoholic beverages  
66 may be lawfully sold for on-premises or off premises consumption, provided that (i) the spirits, beer, wine, or  
67 cider ~~samples~~ are manufactured within the same licensed premises or on contiguous premises of such agent  
68 licensed as a distillery, brewery, or winery; (ii) no single ~~sample~~ serving size shall exceed four ounces of  
69 beer, two ounces of wine or cider, or one-half ounce of spirits, unless served as a mixed beverage, in which  
70 case a single sample of spirits may contain up to one and one-half ounces of spirits; (iii) no more than 12  
71 ounces of beer, five ounces of wine, or ~~three~~ six ounces of spirits shall be given or sold to any person per day;  
72 and (iv) in the case of spirits ~~samples~~, a method is used to track the consumption of each consumer. Nothing  
73 in this paragraph shall prohibit such agent from serving ~~samples of~~ spirits as part of a mixed beverage. Such  
74 mixed ~~beverage samples~~ beverages may contain spirits or vermouth not manufactured on the licensed  
75 premises or on contiguous premises of the licensed distillery, provided that at least 75 percent of the alcohol  
76 used in such ~~samples mixed beverages~~ is manufactured on the licensed premises or on contiguous premises of  
77 the licensed distillery. An agent of the Board appointed pursuant to subsection D may keep on the licensed  
78 premises no more than 10 varieties of spirits or vermouth not manufactured on the licensed premises or on  
79 contiguous premises of the licensed distillery. Any spirits or vermouth used in such ~~samples mixed beverages~~  
80 that are not manufactured on the licensed premises or on contiguous premises of the licensed distillery shall  
81 be purchased from the Board. *An agent of the Board appointed pursuant to subsection D shall have food*  
82 *reasonably available at all times when spirits are served. Such food may be provided by food trucks, patrons*  
83 *providing their own food, or the agent of the Board. In no event shall spirits be served by any such agent of*  
84 *the Board when food is not reasonably available. Failure of an agent of the Board to have food reasonably*  
85 *available as required by this subsection may result in the Board's reconsideration of the agency agreement*  
86 *appointing such holder of a distiller's license or its officers and employees as agents of the Board. For the*  
87 *purpose of this subsection, "food" means prepared or assembled food items requiring minimal preparation or*  
88 *handling, including items prepared off site, that are sufficiently substantial to provide nourishment, and does*  
89 *not include solely prepackaged snack foods such as chips, pretzels, nuts, popcorn, or candy. "Food" includes*  
90 *sandwiches, wraps, pizza, pasta, salads with protein, and cold vegetable plates such as chicken salad or tuna*  
91 *salad.*

92        The Board shall establish guidelines governing tasting events conducted pursuant to this subsection.  
93        Any case fee charged to a licensed distiller by the Board for moving spirits from the production and  
94        bailment area to the tasting area of a government store established by the Board on the distiller's licensed  
95        premises shall be waived if such spirits are moved by employees of the licensed distiller.

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

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

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

114       **§ 4.1-206.1. Manufacturer licenses.**

115       The Board may grant the following manufacturer licenses:

116       1. Distiller's licenses, which shall authorize the licensee to manufacture alcoholic beverages other than  
117       wine and beer, and to sell and deliver or ship the same, in accordance with Board regulations, in closed  
118       containers, to the Board and to persons outside the Commonwealth for resale outside the Commonwealth.  
119       When the Board has established a government store on the distiller's licensed premises pursuant to subsection  
120       D of § 4.1-119, such license shall also authorize the licensee to ~~make a charge to consumers to participate in~~  
121       ~~an organized tasting event conducted~~ *sell spirits at retail for on-premises consumption or in closed containers*

122 *for off-premises consumption* in accordance with subsection G of § 4.1-119 and Board regulations.

123       2. Limited distiller's licenses, to distilleries that (i) are located on a farm in the Commonwealth on land  
124       zoned agricultural and owned or leased by such distillery or its owner and (ii) use agricultural products that  
125       are grown on the farm in the manufacture of their alcoholic beverages. Limited distiller's licensees shall be  
126       treated as distillers for all purposes of this title except as otherwise provided in this subdivision. For purposes  
127       of this subdivision, "land zoned agricultural" means (a) land zoned as an agricultural district or classification  
128       or (b) land otherwise permitted by a locality for limited distillery use. For purposes of this subdivision, "land  
129       zoned agricultural" does not include land zoned "residential conservation." Except for the limitation on land  
130       zoned "residential conservation," nothing in this definition shall otherwise limit or affect local zoning  
131       authority.

132       3. Brewery licenses, which shall authorize the licensee to manufacture beer and to sell and deliver or ship  
133       the beer so manufactured, in accordance with Board regulations, in closed containers to (i) persons licensed  
134       to sell the beer at wholesale and (ii) persons outside the Commonwealth for resale outside the  
135       Commonwealth. Such license shall also authorize the licensee to sell at retail at premises described in the  
136       brewery license (a) the brands of beer that the brewery owns for on-premises consumption, provided that not  
137       less than 20 percent of the volume of beer sold for on-premises consumption in any calendar year is  
138       manufactured on the licensed premises, and (b) beer in closed containers, which shall include growlers and  
139       other reusable containers, for off-premises consumption.

140       4. Limited brewery licenses, to breweries that manufacture no more than 15,000 barrels of beer per  
141       calendar year, provided that (i) the brewery is located on a farm in the Commonwealth on land zoned  
142       agricultural and owned or leased by such brewery or its owner and (ii) agricultural products, including barley,  
143       other grains, hops, or fruit, used by such brewery in the manufacture of its beer are grown on the farm. The  
144       licensed premises shall be limited to the portion of the farm on which agricultural products, including barley,  
145       other grains, hops, or fruit, used by such brewery in the manufacture of its beer are grown and that is  
146       contiguous to the premises of such brewery where the beer is manufactured, exclusive of any residence and  
147       the curtilage thereof. However, the Board may, with notice to the local governing body in accordance with  
148       the provisions of § 4.1-230, also approve other portions of the farm to be included as part of the licensed  
149       premises. For purposes of this subdivision, "land zoned agricultural" means (a) land zoned as an agricultural  
150       district or classification or (b) land otherwise permitted by a locality for limited brewery use. For purposes of  
151       this subdivision, "land zoned agricultural" does not include land zoned "residential conservation." Except for

152 the limitation on land zoned "residential conservation," nothing in this definition shall otherwise limit or  
153 affect local zoning authority.

154 Limited brewery licensees shall be treated as breweries for all purposes of this title except as otherwise  
155 provided in this subdivision.

156 5. Winery licenses, which shall authorize the licensee to (i) manufacture wine and to sell and deliver or  
157 ship such wine, in accordance with Board regulations, in closed containers, to persons licensed to sell the  
158 wine so manufactured at wholesale for the purpose of resale, and to persons outside the Commonwealth for  
159 resale outside the Commonwealth; (ii) operate distilling equipment on the premises of the licensee in the  
160 manufacture of spirits from fruit or fruit juices only, which shall be used only for the fortification of wine  
161 produced by the licensee; (iii) operate a contract winemaking facility on the premises of the licensee in  
162 accordance with Board regulations; (iv) store wine in bonded warehouses on or off the licensed premises  
163 upon permit issued by the Board; and (v) sell wine at retail at the place of business designated in the winery  
164 license for on-premises consumption or in closed containers for off-premises consumption, provided that any  
165 brand of wine not owned by the winery licensee is purchased from a wholesale wine licensee and no less than  
166 20 percent of the wine sold for on-premises consumption is manufactured on the licensed premises.

167 6. Farm winery licenses, which shall authorize the licensee to (i) manufacture wine containing 21 percent  
168 or less of alcohol by volume and to sell, deliver, or ship such wine, in accordance with Board regulations, in  
169 closed containers, to the Board, persons licensed to sell the wine so manufactured at wholesale for the  
170 purpose of resale, or persons outside the Commonwealth; (ii) acquire and receive deliveries and shipments of  
171 wine and sell and deliver or ship such wine, in accordance with Board regulations, to the Board, persons  
172 licensed to sell wine at wholesale for the purpose of resale, or persons outside the Commonwealth; (iii)  
173 operate a contract winemaking facility on the premises of the licensee in accordance with the provisions of  
174 this subtitle and Board regulations; (iv) enter into an agreement with a contract winemaking facility in  
175 accordance with the provisions of this subtitle and Board regulations; and (v) store wine in bonded  
176 warehouses located on or off the licensed premises upon permits issued by the Board. For the purposes of this  
177 title, a farm winery license shall be designated either as a Class I, Class II, Class III, or Class IV farm winery  
178 license in accordance with the limitations set forth in § 4.1-219.

179 Such licenses shall also authorize the licensee to sell wine at retail for on-premises consumption or in  
180 closed containers for off-premises consumption at the places of business designated in the licenses, which  
181 may include no more than five additional retail establishments of the licensee. The licensee may sell at these

182 places of business wine manufactured by such licensee, wine manufactured by a contract winemaking facility  
183 with which the licensee has entered into an agreement pursuant to the provisions of this subtitle and Board  
184 regulations, and wine purchased from a wholesale wine licensee. In addition, the licensee may pre-mix wine  
185 and sell such wine at these places of business.

186 7. Wine importer's licenses, which shall authorize persons located within or outside the Commonwealth to  
187 sell and deliver or ship wine, in accordance with Board regulations, in closed containers, to persons in the  
188 Commonwealth licensed to sell such wine at wholesale for the purpose of resale, and to persons outside the  
189 Commonwealth for resale outside the Commonwealth.

190 8. Beer importer's licenses, which shall authorize persons located within or outside the Commonwealth to  
191 sell and deliver or ship beer, in accordance with Board regulations, in closed containers, to persons in the  
192 Commonwealth licensed to sell such beer at wholesale for the purpose of resale and to persons outside the  
193 Commonwealth for resale outside the Commonwealth.

194 **2. That the provisions of this act shall expire on July 1, 2028.**

195 **3. That the Virginia Alcoholic Beverage Control Authority shall collect data regarding the compliance**  
196 **of distiller's licensees with the provisions of this act and report such data to the Chairs of the House**  
197 **Committee on General Laws and the Senate Committee on Rehabilitation and Social Services by**  
198 **November 1, 2026 and again by November 1, 2027.**

199 **4. That the Virginia Alcoholic Beverage Control Authority (the Authority) shall convene a stakeholders**  
200 **group to review the manufacturer event licenses and off-site sales privileges granted to manufacturing**  
201 **licensees pursuant to Title 4.1 of the Code of Virginia. The Authority shall evaluate the regulatory,**  
202 **enforcement, and compliance impacts of such licenses and privileges and shall report its findings and**  
203 **any recommendations for statutory or regulatory changes to the Chairs of the House Committee on**  
204 **General Laws and the Senate Committee on Rehabilitation and Social Services no later than December**  
205 **1, 2026.**