

1 VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend and reenact §§ 4.1-119 and 4.1-206.1 of the Code of Virginia, relating to alcoholic*
 3 *beverage control; government stores; distiller's licensees as agents of the Board; sale of alcoholic*
 4 *beverages.*

5 [S 424]

6 Approved

7 **Be it enacted by the General Assembly of Virginia:**8 **1. That §§ 4.1-119 and 4.1-206.1 of the Code of Virginia are amended and reenacted as follows:**9 **§ 4.1-119. Operation of government stores.**

10 A. Subject to the provisions of §§ 4.1-121 and 4.1-122, the Board may establish, maintain, and operate
 11 government stores for the sale of spirits, nonalcoholic spirit alternatives, wine produced by farm wineries,
 12 low alcohol beverage coolers produced by licensed distillers, vermouth, mixers, products used in connection
 13 with distilled spirits, including any garnish or garnishment applied to the rim of a glass of distilled spirits, as
 14 may be approved by the Board from time to time, and products licensed by the Virginia Tourism Corporation
 15 as specified in § 4.1-103 in such counties, cities, and towns considered advisable by the Board. The Board
 16 may discontinue any such store.

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

19 C. The Board shall fix the wholesale and retail prices at which the various classes, varieties and brands of
 20 alcoholic beverages and other Board-approved products that are sold in government stores. Differences in the
 21 cost of operating stores, and market competition and conditions may be reflected in the sale price of alcoholic
 22 beverages sold at government stores. The Board may sell alcoholic beverages to federal instrumentalities (i)
 23 authorized and operating under the laws of the United States and regulations of the United States Department
 24 of Defense and (ii) located within the boundaries of federal enclaves or reservations over which the United
 25 States has acquired jurisdiction, at prices which may be greater or less than the wholesale price charged other
 26 authorized purchasers. Nothing in this subsection shall be construed to limit the authority of the Board to fix
 27 the retail price of alcoholic beverages sold at government stores, which retail price may include promotional,
 28 volume, or other discounts deemed appropriate by the Board.

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

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

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

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

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

55 G. No alcoholic beverages shall be consumed in a government store by any person unless it is part of an
 56 organized tasting event conducted by (i) an employee of a manufacturer of distilled spirits or farm winery or

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57 (ii) an authorized representative of a manufacturer of distilled spirits or farm winery with a permit issued by
 58 the Board pursuant to subdivision A 14 of § 4.1-212, at which the samples of alcoholic beverages provided to
 59 any consumer do not exceed the limits for spirits or wine set forth in subdivision A 5 of § 4.1-201.1. No
 60 sample may be consumed by any individual to whom alcoholic beverages may not lawfully be sold pursuant
 61 to § 4.1-304.

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

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

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

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

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

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

112 § 4.1-206.1. Manufacturer licenses.

113 The Board may grant the following manufacturer licenses:

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

119 ~~an organized tasting event conducted~~ *sell spirits at retail for on-premises consumption or in closed containers*
120 *for off-premises consumption* in accordance with subsection G of § 4.1-119 and Board regulations.

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

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

138 4. Limited brewery licenses, to breweries that manufacture no more than 15,000 barrels of beer per
139 calendar year, provided that (i) the brewery is located on a farm in the Commonwealth on land zoned
140 agricultural and owned or leased by such brewery or its owner and (ii) agricultural products, including barley,
141 other grains, hops, or fruit, used by such brewery in the manufacture of its beer are grown on the farm. The
142 licensed premises shall be limited to the portion of the farm on which agricultural products, including barley,
143 other grains, hops, or fruit, used by such brewery in the manufacture of its beer are grown and that is
144 contiguous to the premises of such brewery where the beer is manufactured, exclusive of any residence and
145 the curtilage thereof. However, the Board may, with notice to the local governing body in accordance with
146 the provisions of § 4.1-230, also approve other portions of the farm to be included as part of the licensed
147 premises. For purposes of this subdivision, "land zoned agricultural" means (a) land zoned as an agricultural
148 district or classification or (b) land otherwise permitted by a locality for limited brewery use. For purposes of
149 this subdivision, "land zoned agricultural" does not include land zoned "residential conservation." Except for
150 the limitation on land zoned "residential conservation," nothing in this definition shall otherwise limit or
151 affect local zoning authority.

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

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

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

177 Such licenses shall also authorize the licensee to sell wine at retail for on-premises consumptions or in
178 closed containers for off-premises consumption at the places of business designated in the licenses, which
179 may include no more than five additional retail establishments of the licensee. The licensee may sell at these
180 places of business wine manufactured by such licensee, wine manufactured by a contract winemaking facility

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

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

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

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

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

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