



2016 Last Call Legislative Report



Virginia Craft Brewers Guild

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Key Legislation:

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Welcome to the first Last Call Legislative Report of the Virginia Craft Brewers Guild. This report will be produced annually to detail the highlights of each Virginia legislative session from the Guild's perspective. The Table of Contents is a quick reference to key sections of the report.

Page 3 Guild Priority Bills

This is the proactive section of the report where details of each bill the Guild requested to be introduced or was part of a coalition or commission that requested the bill to be introduced are found. These were the top priorities of the Guild during this General Assembly session.

Page 3 Guild Defensive Bills

This section identifies only select bills that required significant Guild action in order to support, amend, neutralize, or stop from negatively impacting the craft beer industry or Guild's legislative agenda.

Page 5 Summary

This is a brief narrative of the 2016 Virginia Legislative Session in order to provide members some understanding of the context and color of this year's legislative session.



PRIORITY BILLS

Priority bills represents legislation that has been introduced on our behalf or a coalition to which we belong. These bills directly relate to VCBG legislative priorities that have been developed by member committees and the Leadership Council.

Patron	Bill	Description	Result	Comments
Landes	HB 859	Retail Sales and Use Tax; exemption for beer-making equipment	Win	Passed House 90-2 (Delegates <u>Fariss</u> & <u>Miyaris</u> voted “no”); Passed Senate 40-0; VA Dept of Taxation considered only 6 craft brewers exempt from tax on beer mfg equipment prior; Statute now clarifies exemption applies to all 128 operating craft breweries and all future craft breweries
Barker	SB 410	Alcoholic beverage control; consumption of samples by brewery tour guides	Loss	Continued to 2017

DEFENSIVE BILLS

Defensive bills represent legislation that requires amendment or opposition in order to do no harm to Virginia industry or VCBG’s own legislative priority bills.

Patron	Bill	Description	Result	Comments
Knight	HB 143	Alcoholic beverage control; neutral grain spirits or alcohol sold at government stores, proof	Win	Vetoed by Governor
Albo	HB 171	Alcoholic beverage control; food-beverage ratio for certain mixed beverage licensees	Win	Continued to 2017; Referred to industry study on food-beverage ratio
Albo	HB 173	Alcoholic beverage control; prohibited practices by mixed beverage licensees, exception	Win	Left in Appropriations

Taylor	HB 219	Alcoholic beverage control; food-beverage ratio	Win	Continued to 2017; Referred to industry study on food-beverage ratio
Knight	HB 323	Alcoholic beverage control; purchase and sale of products	Win	Allows ABC to purchase VA Tourism Corporation promotional materials; Craft beer is a strategic sector for tourism promotion
Yancey	HB 706	Alcoholic beverage control; corkage fee for beer and cider	Win	Provides same privilege as wine in restaurants
Hugo	HB 879	Alcoholic beverage control; farm wineries and limited brewery licenses, “land zoned agricultural”	Win	Reforms farm brewery statute; restricts farm breweries on property zoned “residential conservation” but expands farm breweries to ag districts, ag classifications or land permitted by a locality; grandfatheres existing farm breweries, farm breweries in planning and assures their ABC permits transfer in the future to new owners
Rasoul	HB 1047	Alcohol; use of premises for illegal consumption, civil penalty	Win	Left in Counties, Cities and Towns
Bell	HB 1054	Alcoholic beverage control; certain laws transferred to State Police	Win	Left in General Laws
Simon	HB 1081	Alcoholic beverage control; police powers of members, agents, etc., of ABC Board	Win	Stricken
Freitas	HB 1350	Alcoholic beverage control; spirits tastings by distiller licensee	Win	Comparable to brewery tasting standards
Freitas	HB 1375	Alcoholic beverage control; privileges of distillery licensees	Win	Left in General Laws
Ebbin	SB 373	Alcoholic beverage control; food sale requirements for business	Win	Continued to 2017; Referred to industry study on food-beverage ratio
DeSteph	SB 488	Mixed beverage restaurant licensees; food-to-beverage ratio	Win	Continued to 2017; Referred to industry study on food-beverage ratio
DeSteph	SB 489	Alcoholic beverage control; food-beverage ratio	Win	Continued to 2017; Referred to industry

				study on food-beverage ratio
Deeds	SB 536	Alcoholic beverage control; spirits tastings by distiller licensee	Win	Comparable to brewery tasting standards
Barker	SB 578	Alcoholic beverage control; limited brewery licenses	Win	See HB 879
Deeds	SB 695	Alcoholic beverage control; wine and beer licenses for certain properties	Win	Beer included
Garrett	SB 714	Alcoholic beverage control; privileges of distiller's license	Win	Incorporated into SB 536

Summary:

This was another positive legislative session for the Guild. It was successful in passing 50% of its priority bills and neutralizing 100% of its targeted defensive bills.

This year 55% of the record breaking 3,286 bills introduced in the 2016 regular session by members of the General Assembly passed. This is effectively the same pass rate as in 2015. It should also be noted that 2,776 bills were introduced in 2015; 2,888 in 2014 and 2,575 in 2013.

The Guild focuses exclusively on legislation affecting craft breweries and all ABC bills. This year 19 defensive ABC bills were managed by the Guild and 1 priority tax bill was managed. Our priority bill, HB859 Brewery Equipment Taxation (R-Landes), was a tremendous success with only two dissenting votes. What we learned this session was that Virginia Department of Taxation considered only 6 craft brewers exempt from sales tax on their beer manufacturing equipment. The statute now clarifies that the exemption applies to all 128 operating craft breweries and all future craft breweries. When the average Virginia sales tax audit was costing our members \$20,000+ we estimate that this legislative success has saved our members an estimated \$2.56 million and similar losses in staff time and productivity defending against erroneous audits.

We should also recognize the outstanding leadership of Delegate Steve Landes who led this fight. It was also because of the support from Governor McAuliffe's Administration and First Lady McAuliffe taking a keen interest in modernizing this aspect of the tax code. Everyone involved was incredibly supportive and helped us make the case that this was the right decision to grow the economy.

The bills that required the greatest effort were the farm brewery bills (HB879/SB578). This bill affected farm breweries and wineries located on "residential conservation" zoned land.

A seemingly simple restriction to avoid ongoing conflicts between land uses at the local level turned into the most expensive bill we have worked since SB604. These bills had 26 separate drafts and opponents to the final bill were still trying to get Governor McAuliffe to further amend the bill for consideration in the April 20 reconvened session (a.k.a., veto session). The bottom line here is that we preserved our partnership with the farm lobby and the wineries. We also assured parity with wine in these matters as well as grandfathering existing and in-planning members from this new statute.

Speaking of partnerships, we supported the restaurant industry by supporting the bills to lower the food-beverage ratio. The food-beverage ratio is one of several ABC laws that will be studied by the ABC Ratio Work Group, which has been convened by the Virginia Department of Legislative Services (DLS). DLS will hold several meetings during 2016 to study ABC laws and specifically food and beverage ratios for mixed beverages, wine, beer, etc.

The Guild continues its efforts to build restaurant relations by working with the Virginia Beer Wholesalers Association and the Virginia Restaurant Lodging & Travel Association. We have reached out to our peers at other state Guilds to gain insight into best practices. Breweries are typically tourist destinations and can bring new visitors to restaurants. We will continue to foster restaurant relations by maintaining market pricing, offering menus of local restaurants at breweries, and remaining cognizant of food offerings at nearby restaurants when working with food trucks. The tasting room standards subcommittee will continue to work on finalizing voluntary tasting room guidelines to neutralize conflict and help breweries operate with community support – peer, retail, wholesale and government.

HB 706 passed this session which will provide beer the same privileges as wine in restaurants. Any restaurant with an ABC license can charge the customer a corkage fee to bring beer into their restaurant. Our positive relationship with the restaurant industry helped this legislation to pass.

The Guild depends upon legislators understanding the needs of craft brewers. We further depend upon them to uphold SB 604 and other Guild priority statutes such as brewery-to-brewery transfers, contract brewing, farm breweries and ABC regulatory flexibility.

This year the Virginia General Assembly welcomed 11 new members of the House (4 Republicans/7 Democrats) and seven new members of the Senate (5 Republicans/2 Democrats). According to the Virginia Public Access Project, the length of service profile of the Virginia General Assembly is now as follows:

- 4 years or less (55 members / 39.29%)
- 5–12 years (49 members / 35.00%)
- 13–20 years (17 members / 12.14%)
- More than 20 years (19 members / 13.57%)

Since the Virginia General Assembly manages legislation through a committee structure and the leadership of those committees is based upon a seniority system, there was a tremendous amount of movement in committee leadership this session. ABC committee leadership in both the House and Senate ensured that harmful legislation did not pass.

In closing, the Guild will continue to face challenges in government affairs. However, the Guild has a strong government affairs council in place and is prepared to face all challenges against SB 604 and continue its state regulatory and local permitting and zoning work. To join the government affairs council, contact Member Services at info@vacraftbrewersguild.com.