

# **DIRECT TO CONSUMER WINE SHIPMENT**

Government Operations & Audit Committee  
August 23, 2016

# HISTORY

## 2013 and Previous Legislative Sessions

- Multiple bills failed.

## SUMMER OF 2013

- DOR participated on a task force organized by South Dakotans for Better Wine Laws.
- SB 114 – An Act to establish a wine direct shipper license and to provide for certain direct shipments of wine. (Failed during 2014 Session)

## SUMMER OF 2014

- DOR participated in the Alcoholic Beverage Shipping and Distribution legislative summer study.
- HB 1001 – An Act to establish a wine direct shipment license and wine carrier license to enable the direct shipments of certain wine in South Dakota. (Passed during 2015 Session and codified as SDCL ch. 35-12B)

# Key Points

(2015 HB 1001)

- Effective date of January 1, 2016.
- Requires wineries and common carriers to annually obtain a \$100 license.
- Allows eligible wineries to ship directly to consumers in SD for personal use only.
- Age verification at time of order and again at time of delivery.
- Limits each wine recipient to 12 cases annually.

# Who Qualifies For A License?

- Wineries located in the United States.
  - The winery must produce their own wine and may only sell wine they produce.
  - The winery must hold a Federal Basic Wine Manufacturing Permit.
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- *Note: Retailers, breweries, distilleries, and alcohol fulfillment centers **do not** qualify for a license.*

## Licensee Requirements

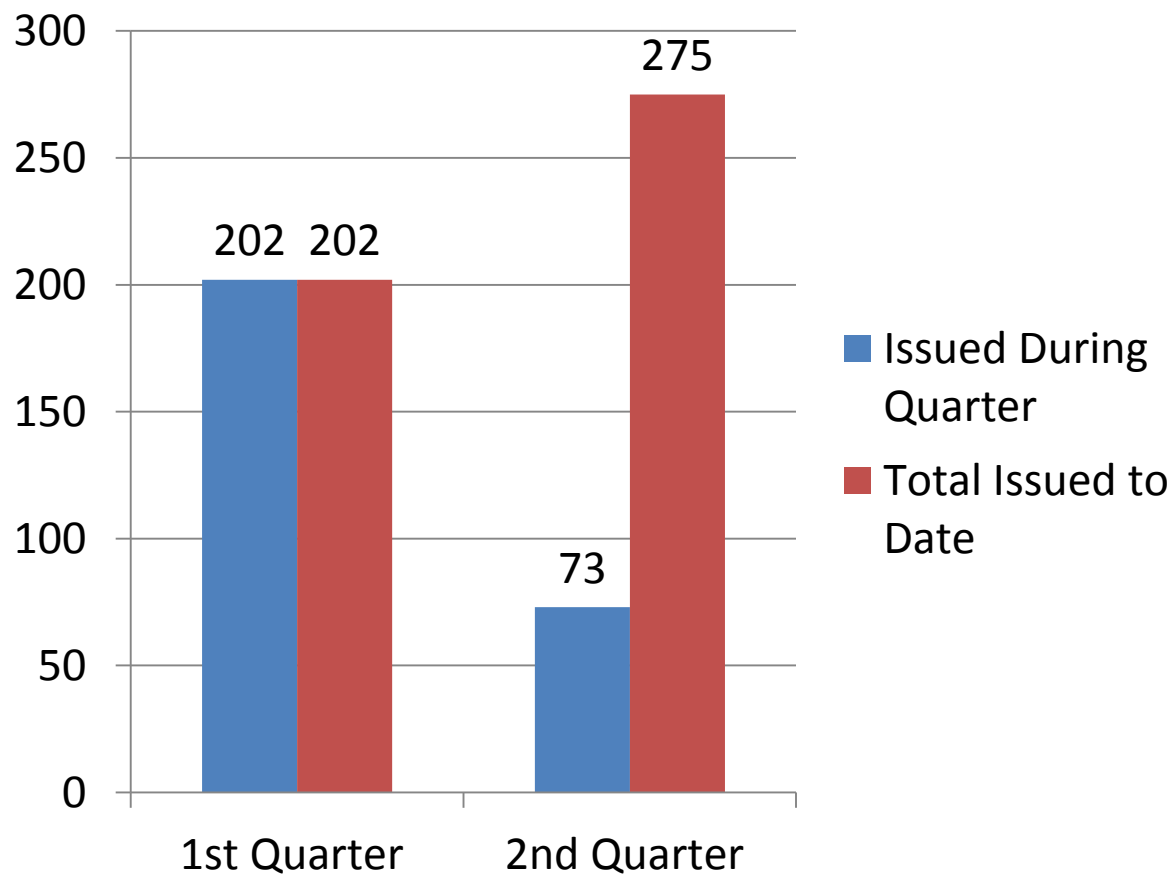
- Hold a South Dakota sales tax license.
- Annually apply for direct shipper license and pay \$100 license fee.
- Submit copy of Federal Basic Wine Manufacturer's Permit.
- Annually register each brand label offered for sale in this state.
- Pay all state and municipal sales tax, alcohol occupational tax, and alcohol 2% purchase price tax.
- Mandatory electronic return filing and tax payment.



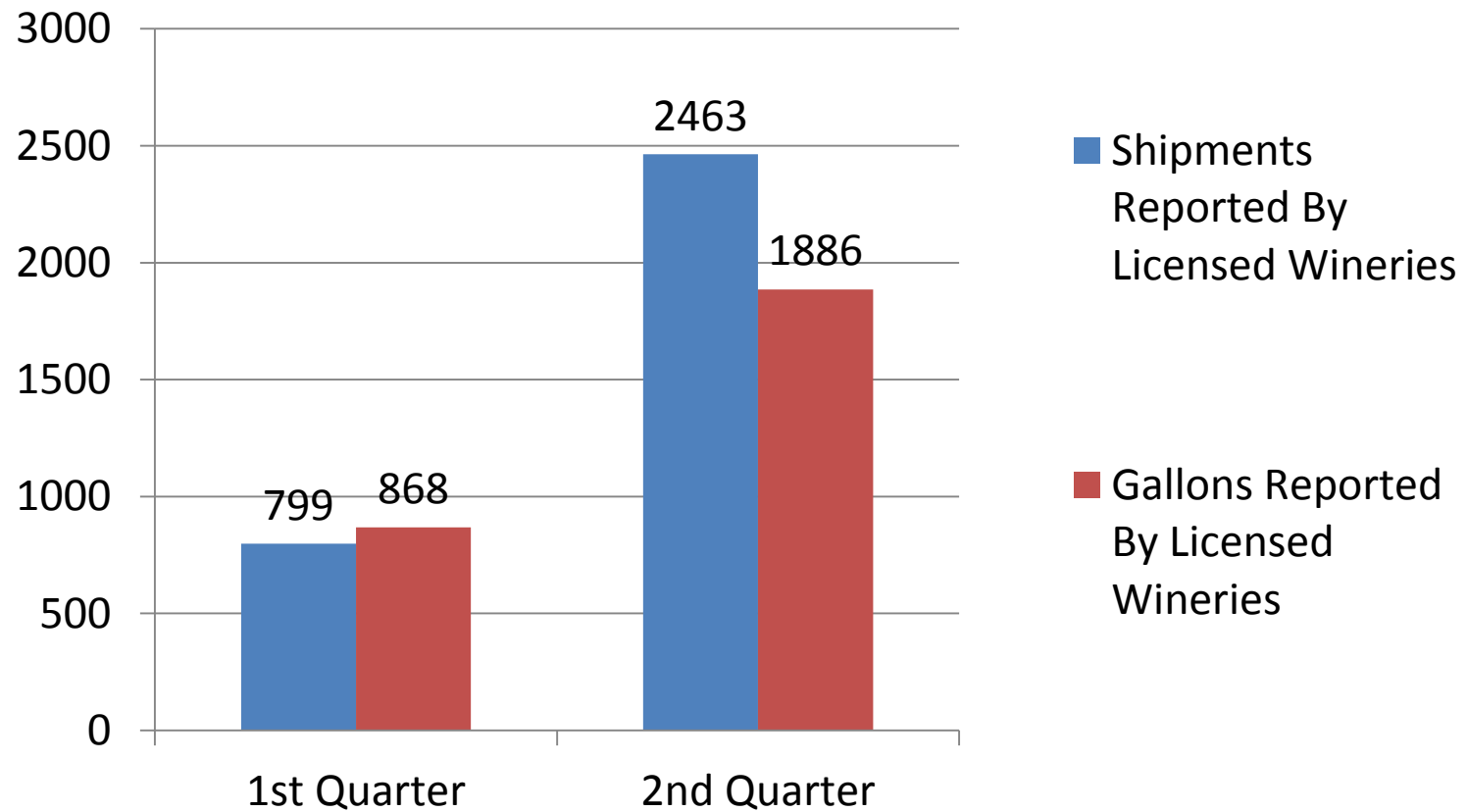
# Licensee Search

- <http://apps.sd.gov/RV23MFLookup/DSLlookup.aspx>

## CY 2016 DIRECT SHIPPER LICENSES

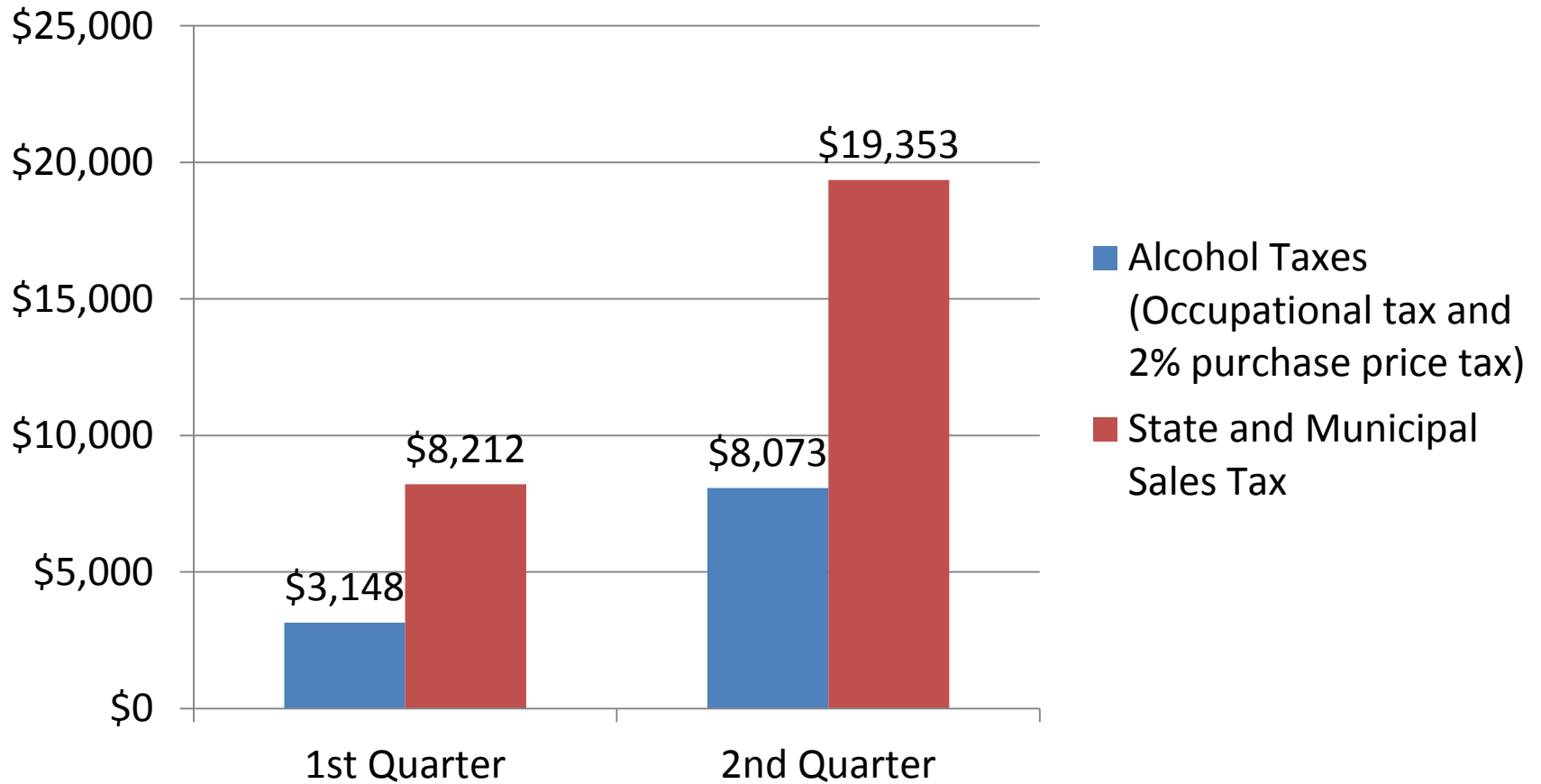


## CY 2016 WINE SHIPMENTS





## CY 2016 TAX REVENUE



## COMPLIANCE ISSUES

- \* Third party fulfillment warehouses ship on behalf of many licensed wineries.
- \* Licensed wineries submitting inaccurate returns – reporting no shipments but DOR has report of shipments from common carriers.

- \* Retailers and unlicensed wineries shipping wine, beer, and distilled spirits to South Dakota consumers and retailers.
- \* Licensed South Dakota alcohol retailers are receiving shipments from direct shippers.

- \* Consumers exceeding case limit.
- \* Consumers appear to be using variations of their names and multiple mailing addresses to receive more than the allotted 12 cases.
- \* Orders are being sent to a business name and address.



# QUESTIONS?

