



# **Distillery Manual & Operating Procedures For Distillery Stores**



## Foreword

The Virginia Alcoholic Beverage Control Authority (ABC) is committed to providing excellent customer service for the citizens of the commonwealth. Accomplishing this task requires that we model best practices and be able to adapt to changing demands.

This manual is a reference guide for Virginia Distillers who are presently conducting business with Virginia ABC as well as a tool to educate new and prospective Virginia Distillers about Virginia ABC's policies and procedures. The provisions of this manual are incorporated into and are part of the Distillery Store Agreement.

Where requirements are mandated by the *Code of Virginia*, we have provided a reference to the *Code* section at the end of the paragraph or section to which it applies.

The information listed in the manual is subject to revision by Virginia ABC as needed.

Please forward suggestions for additional information to be included in this manual to [distillerygroup@virginiaabc.com](mailto:distillerygroup@virginiaabc.com).

## Virginia ABC's Mission and Vision

Virginia ABC's mission is to generate a reliable stream of revenue for Virginia and promote public safety through the responsible sale and regulation of alcoholic beverages.

Virginia ABC's vision is to bring good spirits and excellent service to Virginia.

## *Version Control*

*All changes from the prior version of the Distillery Manual are in italics for ease of recognition.*



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[WWW.ABC.VIRGINIA.GOV](http://WWW.ABC.VIRGINIA.GOV)

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# How to Open a Distillery



## Where Do I Start?

You have made the decision to open a distillery. Your first step is to obtain the required federal permits discussed under “licensing” below. Then apply for a Virginia distiller’s license (<https://www.abc.virginia.gov/licenses/va/definitions/distillery>) also detailed below. Virginia ABC will assign a Special Agent to work with you. Your Special Agent will be your primary contact and source of instruction as you work through the requirements to set up a legally licensed establishment.

Do you plan to sell your product in the Commonwealth of Virginia? If so, you will need to ensure your product has been certified by the Alcohol and Tobacco Tax and Trade Bureau (TTB). All products must first be approved by the TTB before they can be sold in Virginia.

Does your product have all the necessary codes (UPC, SCC, and CSC)? Information on these codes, and how to obtain them, is available on our website at: <https://www.abc.virginia.gov/licenses/spirits-industry-resources/listings-and-delistings>.

You will also need access to Virginia ABC’s Management of Inventory and Product Sales System (MIPS). Requesting access to MIPS is detailed in the MIPS Manual, also located on the web page listed above. Once you have access to MIPS, you can submit a product for Virginia ABC consideration. This process is known as “listing,” which is also detailed in the MIPS Manual. Virginia ABC carries four types of products:

- STD: (Standard) – Listed products that have gone through the listings process
- SOC: (Special Order Catalog) – Products that are listed in the ABC Special Order Catalog
- SONC: (Special Order Non-Catalog) – Products that have not been listed in the catalog, but can be ordered
- *SONC/Distillery Only: Products only sold in the Distillery Store. All new Distillery Store products will be marked Distillery Only until they go through Listings or are requested for special order.*

Virginia ABC’s Supplier Manual and Supplier Manual Distilled Spirits Addendum are also found on the link above. The Supplier Manual applies to all manufacturers of distilled spirits wishing to be listed with Virginia ABC. The addendum is specific to Virginia distilleries and provides additional information.

## Licensing

In order to legally distill spirits in the Commonwealth of Virginia, prospective Distillers must obtain a beverage distilled spirits plant permit from the TTB and a Distillery License from Virginia ABC. The production of spirits cannot begin until both documents have been issued.

A Virginia ABC Distillery License allows for the manufacture of distilled spirits and the sale of the manufactured spirits to Virginia ABC, the government or any entity outside the Commonwealth of Virginia legally authorized to receive the product.

Virginia ABC is the wholesale distributor and sole retailer for all distilled spirits sold in Virginia.

A Distillery Licensee may be appointed as an independently operated agent of Virginia ABC for the purpose of selling distilled spirits manufactured by or for, or blended by such licensee on the licensed premises at Virginia ABC stores



established on the Distiller's premises. To be appointed as an agent of Virginia ABC for the purpose of selling distilled spirits on the Distiller's premises the Distillery Licensee must first enter into a written agreement with Virginia ABC.

(Code of Virginia § 4.1-119) <https://law.lis.virginia.gov/vacodeupdates/title4.1/section4.1-119/>

## REQUIREMENTS FOR LICENSING

### An applicant for licensure must:

1. Verify with the locality's zoning office that a distillery may be operated on the desired location.
2. Ensure that the locality permits the operation of a Distillery Store in the desired location.
3. Obtain the federal basic permit and possess a copy of a completed TTB application.
4. Provide a diagram of the distillery space to be licensed and placement of distillery equipment.
5. Provide a list of distilling apparatus.
6. Supply the deed/lease/sub-lease of distilling space.
7. Provide a certificate of incorporation/organization.
8. Provide the articles of incorporation/organization.
9. Provide an operating agreement (if one exists).
10. Supply a list of issued stock certificates or most recent annual corporate stock report (if applicable).
11. Supply official Department of Motor Vehicles (DMV) driving records.
12. Provide the company's Federal ID number (FEIN).
13. Supply a photocopy of ID.

All producers of food products, which include alcoholic beverages in the commonwealth, are required to be inspected by the Virginia Department of Agriculture and Consumer Services (VDACS) prior to production of such products.

Information regarding food safety and inspections can be found at <http://www.vdacs.virginia.gov/dairy-food-and-beverage-manufacturing.shtml>. Applicants may be subject to a criminal background check.

(Code of Virginia § 4.1-230) <https://law.lis.virginia.gov/vacodeupdates/title4.1/section4.1-230/>

## FEDERAL PERMITS

Information and documents regarding federal requirements for obtaining permits and the production of distilled spirits can be found on TTB's distilled spirits homepage: <https://www.ttb.gov/spirits>.

## APPLICATION FOR ABC LICENSE

The application for Virginia ABC licenses with instructions can be found and downloaded at:

<https://www.abc.virginia.gov/licenses/get-a-license/industry-licenses>.

A Virginia ABC license cannot be issued until:

1. All required documents have been received. Failure to provide required documents is the primary cause of delay in the licensing process.
2. A Special Agent has completed an investigation, including a site visit.
3. All fees have been paid.



4. Posting and publishing has occurred. The owners must publish notice (in English) at least two times in a newspaper having a general circulation in the county, city, or town where the owner proposes to conduct business. The two publications must occur in consecutive weeks, the second publishing in at least seven days after the first, but no later than Saturday of the second week.
5. Any local government or citizen objections have been resolved. The Code of Virginia requires Virginia ABC to afford citizens of the commonwealth 30 days from the date of the first newspaper publication to lodge a valid objection to the issuance of an ABC license.
6. The establishment is ready to begin operations.

*(Code of Virginia § 4.1-230)*

## TYPES OF ABC LICENSES

- Distillery License: 5,000 gallons or less of alcohol or spirits or both, manufactured during a licensed year.
- Distillery License: 5,001 – 36,000 gallons manufactured during a license year.
- Distillery License: More than 36,000 gallons manufactured during a license year.

## FEES

FEE TYPE	FEE AMOUNT
Distillery License Application Fee	\$195
Criminal Record Check	\$15 per person in corporation or LLC who are officers, members, or have a 10% or more stake
Distillery License, <=5,000 gallons	\$490 per year
Distillery License, 5,001-36,000 gallons	\$2,725 per year
Distillery License, >36,000 gallons	\$4,060 per year

*\*The Distiller shall pay the necessary fees to renew the Distillery License on an annual basis, as well as comply with the requirements stipulated in the Distillery License privileges.*

## DISTILLERY STORES

Distillers with a product listed in MIPS who wish to sell their product directly to paying customers on the premises of the distillery must first be authorized as a Virginia ABC “Distillery Store” and enter into a contractual agreement with Virginia ABC. *(Code of Virginia § 4.1-119)*

Virginia ABC will review the completed application and agreement, and a decision regarding approval will be made.



# Compliance





## Record Keeping

Distillers must keep complete, accurate, and separate records of all business activities for a period of two years on the licensed premises. Such records shall be available for inspection by a Virginia ABC Special Agent and other authorized employees of Virginia ABC during reasonable hours.

(Code of Virginia §§ 4.1-204 & 4.1-331) <https://law.lis.virginia.gov/vacode/title4.1/chapter3/section4.1-331/>

At a minimum, such records shall include:

1. The amount of alcoholic beverages manufactured during a calendar month.
2. The amount of alcoholic beverages on hand each month.
3. The type and quantity of raw materials used in the production of spirits.
4. Withdrawals for shipment to Virginia ABC.
5. Withdrawals for shipment outside of the commonwealth to include:
  - a. Name and address of consignee
  - b. Date of shipment
  - c. Alcoholic content, brand name, type, size of containers and quantity.

Distillers who operate Distillery Stores shall comply with the record keeping and reporting requirements as required by the “Distillery Store Agreement” and this manual. Records regarding the operation of a Distillery Store are subject to inspection and auditing by authorized employees of Virginia ABC as required by law.

Records may be stored as disks, thumb drives or any other available storage technology, provided they are available for inspection between the hours of 9 a.m. and 5 p.m. or within 24 hours of a request.

(Code of Virginia § 4.1 -204 (F)) <https://law.lis.virginia.gov/vacodeupdates/title4.1/section4.1-204/>

## Inspections

The Virginia ABC Bureau of Law Enforcement routinely inspects licensed establishments to verify they are operating in accordance with Virginia law and Virginia ABC regulations. These inspections afford licensees and their employees an opportunity to become acquainted with their Virginia ABC Special Agent as well as provide licensees with the opportunity to ask questions and receive updates relevant to Virginia ABC operations. During an inspection, a Virginia ABC Special Agent may examine and verify:

1. That the ABC license and federal permits are current and posted.
2. There has been no change in ownership.
3. Required records are being maintained.
4. There have been no unauthorized changes to the licensed premises.

Distillery Stores are subject to inspection and audits by Special Agents and other authorized employees of Virginia ABC. These inspections/audits are to ensure that the Distillery Store is operating in accordance with the signed “Distillery Store Agreement,” that all payments to Virginia ABC have been made and that reported inventory is accurate. The Auditor of Public Accounts may also audit Distillery Stores, as the Distillery Store is operating as an agent of a Virginia ABC store.

(Code of Virginia §§ 4.1-204 & 4.1-331)



# Operating a Distillery Store



# Requirements and Procedures for Distillery Stores

The authority and agreement for the operation of a Distillery Store is a signed “Distillery Store Agreement.” This manual is incorporated by reference and made a part of the agreement.

*(Code of Virginia § 4.1-119)*

## DEFINITIONS

- A.** The Authority: The Virginia Alcoholic Beverage Control Authority (ABC).
- B.** ABC Bureau of Law Enforcement: The division within Virginia ABC that is charged with enforcing ABC laws and regulations of the Commonwealth.
- C.** The Board: The Virginia Alcoholic Beverage Control Board of Directors.
- D.** Distiller (also referred to as licensee): The holder of a Distillery License issued by Virginia ABC.  
*(Code of Virginia §§ 4.1-206 (1) & (2)) <https://law.lis.virginia.gov/vacode/title4.1/chapter2/section4.1-206.1>*
- E.** Distillery License: License issued by Virginia ABC, which authorizes the holder to manufacture alcoholic beverages other than wine and beer, and to sell and deliver or ship the same, in accordance with Virginia ABC regulations, in closed containers, to Virginia ABC and to persons outside the commonwealth for resale outside state lines. When Virginia ABC has established a government store on the distiller's licensed premises, such license shall also authorize the licensee to make a mandatory charge to consumers to participate in an organized tasting event.  
*(Code of Virginia §§ 4.1-119 (D) &(G)*
- F.** Distillery Store: ABC store located on a distiller's premises, operated by the Distiller as an independently operating agent for Virginia ABC for the purpose of selling distilled spirits.
- G.** *Low Alcohol Beverage (LAB): Spirits-based drinks consisting of 7.5% or less alcohol by volume.*
- H.** Mixed Beverage: A spirits drink composed in whole or in part of alcoholic beverages containing more than 14% alcohol by volume.
- I.** Place or Premises: The real estate, together with any buildings or other improvements thereon, designated in the application for a license and approved by Virginia ABC as the place at which the manufacture, bottling, distribution, use or sale of alcoholic beverages shall be performed, except that portion of any such building or other improvement actually and exclusively used as a private residence.
- J.** Special Agents: Employees of Virginia ABC whom the Board has designated as law enforcement officers.



## RETAIL OPERATION PROCEDURES

### A. Hours of Operation

Distilled spirits may only be sold during hours and on days permitted for Virginia ABC retail operations. No distillery shall operate during any hours in which Virginia ABC does not operate; Distillery Stores must follow Virginia ABC openings and closings, *i.e.* if Virginia ABC closes early on a holiday such as the 4th of July, the Distillery Store must also close at that time. In general, Distillery Stores may not operate earlier or later than the following hours:

- Monday – Thursday: 9:00 a.m. – 9:00 p.m.
- Friday – Saturday: 9:00 a.m. – 10:00 p.m.
- Sunday: 10:00 a.m. – 7:00 p.m.
- The Distillery Store is to be closed on the following days: Easter, Thanksgiving Day, and Christmas Day.

*(Code of Virginia § 4.1-119 (D), §4.1-120; and State Budget (Chapter 854, 2019 Acts of Assembly))*

### B. Training

All employees and management of the Distillery Store are required to take at least one of the following training courses offered by Virginia ABC:

1. Responsible Sellers and Servers Virginia Program (RSVP): This training is designed for clerks and other front line employees to help them become more responsible and to better understand ABC laws, rules, and regulations.
2. Managers' Alcohol Responsibility Training (MART): This training is designed to help managers become more responsible and to better understand Virginia laws and regulations.

These courses are offered online and on-demand in the Commonwealth of Virginia Knowledge Center <https://covlc.virginia.gov/Default.aspx>. Distillery Store operators are required to keep the training certificates of completion on file for inspection by Virginia ABC Special Agents and Virginia ABC Internal Audit.

### C. Deposits

#### 1. Traditional Method

Deposits of all monies received from the sale of distilled spirits, including sales taxes, are required to be made monthly into Virginia ABC's bank account.

- A. Virginia ABC maintains bank accounts at various banks throughout the commonwealth. At the time of Distillery Store approval and set-up, Virginia ABC will provide the Distiller with a list of authorized Virginia ABC bank accounts in the Distiller's immediate area. The Distiller will choose their preferred bank, and ABC will provide deposit tickets for the account at that bank.
  - a. ACH – Alternatively, Distillers may also make their deposits to Virginia ABC electronically using ACH. This must be set up through the Virginia Department of the Treasury using the contact information below:

Christina B. Wilhelm, *Cash and Banking Manager*  
Virginia Department of the Treasury  
Telephone: 804-225-2648  
FAX: 804-225-3478  
[christina.wilhelm@trs.virginia.gov](mailto:christina.wilhelm@trs.virginia.gov)



- B. Deposits are to be made no later than the fifth of each month as evidenced by a deposit receipt bearing a date equal to or earlier than the fifth. If the fifth falls on a weekend or holiday, then the deposit must be made on the next business day that the bank is open for business.
- C. The deposit made on the fifth of the month shall include the spirit sales and taxes from the previous month (*e.g.*, sales for June 1- 30 will be deposited on or before July 5).
- D. Virginia ABC will pay the Distiller for staged inventory, case-handling fees, and commission, 15 business days following the receipt of an accurate distillery worksheet and proof of a deposit of sales revenue. Any time spent correcting errors or researching discrepancies will add delay to the payment from Virginia ABC. Additionally, ABC can also pay Distillers electronically. This can be set up by the Distiller through the Virginia Department of Accounts (DOA). Choosing to receive electronic direct deposit of funds will expedite the payment process.
- E. To set up direct deposit, follow the instructions below:

From DOA’s website [www.doa.virginia.gov](http://www.doa.virginia.gov), select “forms,” “electronic data interchange,” then “trading partner EDI agreement and enrollment form for vendors” (or select form link below):  
<https://www.doa.virginia.gov/forms/EDI/AgreementVendor.pdf>

Send the completed form to:

Virginia Department of Accounts EDI Unit  
PO Box 1971  
Richmond, VA 23218-1971

Direct further questions to:

(804) 692-0473  
[edi@doa.virginia.gov](mailto:edi@doa.virginia.gov) (for inquiries only)

## 2. Net Payment Method

For Distillers who prefer an alternate deposit method, there is a program allowing for one net payment rather than a deposit by the Distillers and a payment from Virginia ABC, if they meet certain requirements. Virginia ABC refers to this as the “Net Payment Program”. The terms of the Net Payment Program are included in the Distillery Store Agreement.

The purpose of the program is to allow authorized distilleries that meet the program’s qualifications to make a net payment to Virginia ABC, rather than make a deposit of retail sales and taxes, and then receive a subsequent payment from Virginia ABC for the commission, inventory moved to the sales floor during the month (staged), and the case-handling fee. Under the program, the Distiller will pay Virginia ABC only the markup on the bottles sold and the taxes collected and due, minus the commission owed to the Distiller by Virginia ABC.

(Code of Virginia § 4.1-119 (D))

- Net Payment:
  - Markup (retail price of bottle – wholesale price)
  - + Taxes on retail sales
  - Commission on sales (at current rate set by the Virginia General Assembly)
  - Case Handling Fee

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  - = Net payment from Distiller to Virginia ABC



In order to be considered for the program, a distillery must meet the following requirements:

1. Six consecutive months of accurate, timely, and verifiable accounting records, including both reports and deposits.
2. Full compliance in all respects with its Distillery Store Agreement, the Distillery Manual and Operating Procedures for Distillery Stores.
3. Satisfactory compliance according to its latest Virginia ABC internal audit report.
4. No ongoing or pending enforcement matters with Virginia ABC.

If a Distiller wishes to participate in the program and the qualifications appear to be met, the Distiller may request an application form from Virginia ABC ([distillerygroup@virginiaabc.com](mailto:distillerygroup@virginiaabc.com)). Approval for participation is the sole and exclusive right of Virginia ABC. Failure to comply on a continuing and ongoing basis with each of the requisite qualifications to enter the program will result in removal from the program.

Before deciding to apply for the Net Payment Program, the Distiller should consider the effects on cash flow. Virginia ABC will no longer pay Distillers for inventory moved to the sales floor during the reporting month (staged). Under the Traditional Method, the Distiller receives payment for the wholesale price of all bottles moved to the sales floor during the reporting month (Distillers may move bottles to sales floor until their maximum ending inventory of 125% of sales is reached).

## D. Reporting Requirements

Distillers are required to report **in-state** sales and inventory amounts to Virginia ABC on a monthly basis. This is done electronically via the “Virginia ABC Distillery Worksheet.” There are now two distillery worksheets, the Traditional Method worksheet, and the Net Payment worksheet. Distillers should ensure they are using the correct worksheet, as the reporting requirements are different. Complete and email this worksheet to ABC **between the first and third day** of each month for the previous month’s sales and inventory.

The worksheet contains locked formulas and cells to ensure the correct totals are received. Distillers only need to fill out the cells marked in yellow. The worksheet contains formulas and calculations and will pre-populate once the required information is entered. It calculates both the amount owed by Virginia ABC to the Distiller for inventory purchases, commission, and case handling fees, as well as the amount the Distiller owes Virginia ABC for retail licensee sales and tasting room purchases.

The worksheet must be received and correctly completed in a timely manner before Virginia ABC can pay the distiller. A blank copy of this worksheet will be provided to you upon approval for operating a Distillery Store. If a correction or a change needs to be made to a formula or price, Distillers must email [distillerygroup@virginiaabc.com](mailto:distillerygroup@virginiaabc.com) for an updated worksheet at least five days before the first of the month.

### 1. Distillery Worksheet – Traditional Method

#### SALES

- Product Name and Number – Please ensure all products available for sale are listed and the MIPS product number is correct.
- Bottle Price to Customer – The retail price should be the same as the price listed in MIPS. Please review MIPS for correct pricing on a regular basis.
- Quantity: Sales Subject to Local Tax Rate – Enter number of bottles sold at your Distillery Store during the reporting month and any bottles sold at remote events in locations that share your local tax rate.



- Quantity: Sales Subject to Alternate Tax Rate – Enter number of bottles sold at remote events in locations that do not share your local tax rate (as specified on your worksheet). All alternate tax sales must be explained in the Notes section (*i.e.*, what event you attended and how many bottles sold).
  - ♦ Note: Distillers who attend events must send in their approval letters with their monthly reports.
- Total Taxable Sales – This is a calculated field that sums the total amount of taxable sales.
- Sales Tax – This is a calculated field that sums the amount of sales tax payable.
- Quantity: Purchased for Tasting Room – Enter the number of bottles that you (the distiller) purchased for use in your tasting room for customer samples. The bottles are taken from the ABC sales floor inventory and purchased tax-exempt by the Distiller prior to opening the bottle for use in the tasting room.
- Quantity: Sales to Mixed Bev. Licensees – Input sales made to mixed beverage licensees. Distillers must also fill out the Licensee order detail sheet (Tab 3) if there are licensee sales.
- Quantity: Other Tax-Exempt Sales (please explain) – Input any sales made to other tax-exempt entities such as non-profits, universities, or foreign diplomats. List their name in the Notes section.
- Total Untaxed Sales – This is a calculated field that sums the amount of sales not subject to sales tax.
- Total Bottles Sold – This is a calculated field that sums all bottles, taxed and non-taxed, that were sold.
- Total Retail Sales Amount, Including Tax – This is a calculated field that sums the total amount a Distiller owes ABC based on sales reported.

#### INVENTORY

- Price Per Bottle – The bottle is sold to ABC (wholesale price prior to markup) at this price. Distillers should verify that this figure matches what appears in MIPS before submitting their worksheet.
- Bottles Per Case (BPC) – This is the number of bottles per case upon which the case-handling fee is based. Distillers should verify that this figure matches what appears in MIPS before submitting their worksheet.
- Beginning Inventory – Enter the number of bottles that were in the Distillery Store inventory on the first day of the month. This number should always be the same as the ending inventory on the previous month’s worksheet. If the two do not agree, the Distiller must conduct an investigation to determine the cause and, if adjustments are necessary, explain what occurred to necessitate the adjustments in the note box.
  - ♦ If the discrepancy is determined to be an “added to sales floor” error, such as forgetting to record a movement of inventory from the bonded area to the sales floor, this adjustment must be added to the “added to sales floor” line rather than the adjustment line so that the Distiller can be paid for the inventory moved.
- Adjustments +/- – Generally, there will not be an entry made to this line. However, if there are adjustments to be entered due to an incorrect sale, they MUST be accompanied by an explanation in the Notes section. A broken bottle should be replaced from bond and is not considered an adjustment.
- Quantity Sold – This field contains a formula and will populate automatically based on information entered above.
- Added to Sales Floor – Enter the number of bottles of inventory physically removed from the bonded area and added to the Distillery Store inventory during the month. Bottles do not need to be moved in full case amounts to receive the case-handling fee.
  - ♦ Most inventory errors stem from not keeping track of inventory movement during the month. It is important to develop a solid tracking method that works for you, and train staff accordingly.



- **Ending Inventory** - This field contains a formula and will populate automatically based on information entered above.
  - ♦ The Distiller is responsible for conducting an actual physical inventory of bottles on the sales floor at the end of the month to ensure agreement with the ending inventory on the distillery worksheet. If the results of the physical inventory (number of actual bottles on hand) do not agree to the worksheet, the Distiller must conduct an investigation to determine the cause. If adjustments are necessary, they must explain what occurred to necessitate the adjustments.
- **Max Ending Inventory** - This field contains a formula and will populate automatically based on information entered above. Virginia ABC limits the amount of inventory that may be held as Distillery Store inventory to 125% of the reporting month's sales. If your calculated ending inventory exceeds the calculated max ending inventory, you will receive an error message directing you to reduce "moved to sales floor" quantities until the ending inventory no longer exceeds the max ending inventory.
  - ♦ The max ending inventory amount can be exceeded, but not by more than one case. If there is a reason, such as an upcoming event, that additional inventory in excess of a case over max ending inventory needs to be staged, please include a comment in the Notes section.
  - ♦ If it is necessary to adjust the quantity of bottle inventory added to the sales floor on the worksheet, please contact the distillery liaison at [erin.mitchell@virginiaabc.com](mailto:erin.mitchell@virginiaabc.com) for instructions on proper handling and accounting **prior to taking any action**.

#### OTHER FIELDS

- **Case Handling Fee** – This is a calculated field. Because case handling fees are part of the "markup" calculation, Distillers are refunded \$2 per case quantity sold. This amount is rounded down to the nearest case quantity.
- **Commission** – This is a calculated field. Distillers earn the General Assembly set rate of total pre-tax sales.
- **Notes** – This is a comment section where Distillers can convey comments and questions about this month's reporting.

## 2. Distillery Worksheet – Net Payment Method

#### SALES

- **Product Name and Number** – Please ensure all products available for sale are listed and the MIPS product number is correct.
- **Bottle Price to Customer** – The retail price should be the same as the price listed in MIPS. Please review MIPS for correct pricing on a regular basis.
- **Quantity: Sales Subject to Local Tax Rate** – Enter number of bottles sold at your Distillery Store during the reporting month and any bottles sold at remote events in locations that share your local tax rate.
- **Quantity: Sales Subject to Alternate Tax Rate** – Enter number of bottles sold at remote events in locations that do not share your local tax rate (as specified on your worksheet). All alternate tax sales must be explained in the Notes section (*i.e.*, what event you attended and how many bottles sold).
  - ♦ Note: Distillers who attend events must send in their approval letters with their monthly reports.
- **Total Taxable Sales** – This is a calculated field that sums the total amount of taxable sales.
- **Sales Tax** – This is a calculated field that sums the amount of sales tax payable.
- **Quantity: Purchased for Tasting Room** – Enter the number of bottles that you (the distiller) purchased for use in your tasting room for customer samples. The bottles are taken from the ABC sales floor inventory and purchased tax-exempt by the Distiller prior to opening the bottle for use in the tasting room.





- Quantity: Sales to Mixed Bev. Licensees – Input sales made to mixed beverage licensees. Distillers must also fill out the Licensee order detail sheet (Tab 3) if there are licensee sales.
- Quantity: Other Tax-Exempt Sales (please explain) – Input any sales made to other tax-exempt entities such as non-profits, universities, or foreign diplomats. List their name in the Notes section.
- Total Untaxed Sales – This is a calculated field that sums the amount of sales not subject to sales tax.
- Total Bottles Sold – This is a calculated field that sums all bottles, taxed and non-taxed, that were sold.
- Total Retail Sales Amount, Including Tax – This is a calculated field that sums the total amount a Distiller owes Virginia ABC based on sales reported.

#### COST OF GOODS SOLD

- Price Per Bottle – This is the wholesale price Virginia ABC agrees to pay the Distiller for product.
- Bottles Per Case – This is the number of bottles per case upon which case-handling fee is based.
- Quantity Sold – This is a calculated field that reflects the total bottles based on entries into the SALES Quantity fields above.
- Cost of Goods Sold – This is a calculated field that reflects the wholesale cost of bottles sold.

#### OTHER FIELDS

- Case Handling Fee – This is a calculated field. Because case handling fees are part of the "markup" calculation, Distillers are refunded \$2 per case quantity sold. This amount is rounded down to the nearest case quantity.
- Commission – This is a calculated field. Distillers earn the Virginia General Assembly set rate of total pre-tax sales.
- Notes – This is a comment section where Distillers can convey comments and questions about this month's reporting.

#### BAILMENT INVENTORY

- Beginning Inventory – Enter the number of bottles that were in the Distillery Store inventory on the first of the month. This number should always be the same as the ending inventory on the previous month's worksheet.
- Adjustments +/- – Generally, there will not be an entry made to this line. However, if there are adjustments to be entered due to an incorrect sale, they MUST be accompanied by an explanation in the Note section at the bottom of the sheet. A broken bottle should be replaced from bond and is not an adjustment.
- Quantity Sold – This field contains a formula and will populate automatically based on information entered above.
- Added to Sales Floor – Enter the number of bottles of inventory physically removed from the bonded area and added to the Distillery Store inventory during the month.
  - ♦ Most inventory errors stem from not keeping track of inventory movement during the month. It is important to develop a solid tracking method that works for you, and train staff accordingly.
- Ending Inventory – This field contains a formula and will populate automatically based on information entered above.



## E. Moving Inventory from the Bonded Area to the Distillery Store Sales Floor (Staging)

### 1. Traditional Method

According to federal law, the Distiller must physically move liquor inventory from the bonded area into the Distillery Store sales area prior to making any sales in the store or using bottles for tastings. Once inventory is moved out of bond and into the store, it is considered Virginia ABC inventory and must be treated as such. All liquor sales made to the public, retail customers and licensees alike, within Virginia must be purchased and reported as such from the Virginia ABC owned inventory and not from the bonded area.

- The movement of inventory from bond to the Virginia ABC Distillery Store sales floor must be tracked and reported to Virginia ABC via the monthly Distillery Store sales report. The distillery may move inventory from bond to the store as many times throughout the month as is necessary to properly stock the store, with the following limitation:
  - ♦ The distiller's ending inventory should not exceed 125% of that month's sales.

#### Example:

In June, Distillery Store 1616 sold 100 bottles of product X. Store 1616's ending inventory should not exceed 125 bottles (100 x 1.25). The Distiller may move less than max inventory to the sales floor or no additional inventory to the sales floor, but should not move an amount that would exceed max ending inventory unless the Distiller provides a valid reason in the Notes section of the distillery worksheet (e.g., preparing for an upcoming event).

- Virginia ABC reimburses the Distiller a case-handling fee of \$2 per full case of product moved into store inventory each month. The Distiller may move product in less than case quantities, but will only be reimbursed the handling fee for full case quantities. In instances where product reported is moved in less than case quantities, Virginia ABC will round down to the nearest case when calculating the case-handling fee.

#### Example 1:

Distiller moves 24 bottles from bond to store (ABC) inventory throughout the month and reports the 24 bottles as moved into inventory on the Distiller Worksheet at month end. Each case contains 12 bottles per case (BPC). ABC will reimburse the Distiller \$4:

$$\begin{aligned} 24 \text{ bottles} / 12 \text{ BPC} &= 2 \text{ cases} \\ 2 \text{ cases} \times \$2 &= \$4 \end{aligned}$$

#### Example 2:

Distiller moves 30 bottles from bond to store (ABC) inventory throughout the month and reports the 30 bottles as moved into inventory on the Distiller Worksheet at month's end. Each case contains 12 BPC. ABC will still reimburse the Distiller \$4:

$$\begin{aligned} 30 \text{ bottles} / 12 \text{ BPC} &= 2.5 \text{ cases, rounded down} \\ 2 \text{ cases} \times \$2 &= \$4 \end{aligned}$$

### 2. Net Payment Method

Federal law requires Distillers to physically move liquor inventory from the bonded area into the Distillery Store sales area prior to making any sales in the store or using bottles for tastings. However, under the Net Payment Method, the Distillers will no longer report this "staged" inventory under the "Inventory" portion of the Distillery Worksheet. The inventory moved out of bond and into the store will now be reported in a separate section titled "Bailment Inventory" at the bottom of the worksheet.



## F. Inventory

### 1. Traditional Method

Distillery Store operators are required to take monthly physical inventories on the last day of each month. Inventory in the Distillery Store is Virginia ABC-owned inventory and requires verification of ending and beginning inventory amounts reported to Virginia ABC on the Distillery Worksheet.

The distillery worksheet uses a formula to calculate your ending inventory:

$$\text{Beginning Inventory} + \text{Added to Sales Floor} - \text{Sales} +/- \text{Adjustments} = \text{Ending Inventory}$$

Beginning inventory is always the prior month's ending inventory (ending inventory on the last day of the month = beginning inventory on the first day of the new month). Added to sales floor represents the amount removed from bond and onto the Distillery Store sales floor during the month. Distillery Stores are required to keep and maintain careful records of the amounts removed from bond and placed in the store for sale throughout the month. The number of bottles moved represents the amount (plus case-handling fee and commission) for which Virginia ABC will pay the distiller. Any discrepancy in the amount reported as moved to sales floor or ending inventory will result in a delay of payment from Virginia ABC to the distiller.

Prior to completing and submitting the monthly Distillery Worksheet **by the third day** of each month, the Distillery Store operator must physically count and verify store inventory on hand. Any discrepancies from the calculated amount on the Distillery Worksheet must be investigated and explained.

Possible causes for variances are:

- Internal or external theft
- Damages
- Returns
- Incorrect reporting of number of bottles added to sales floor

Virginia ABC's Internal Audit will request documentation of month end physical inventories as well as documentation for monthly amounts added to sales floor when conducting periodic internal audits of the Distillery Store premises.

### 2. Net Payment Method

The Distiller is still required to keep and maintain records of their inventory movement out of bond and to take monthly physical inventories of their product. Although ABC is no longer paying the Distiller for inventory added to the sales floor each month, it will still need to be reported on the distiller's worksheet in the "Bailment Inventory" section. Internal Audit will utilize this worksheet in addition to movement and physical inventory records during the Distillery Store audit to verify your on-hand inventory for internal control purposes. See section H - Internal Audit below.

## G. Accounting for Returns, Canceled Orders

All returns for merchandise must be made at the Distillery Store where originally purchased, not at a Virginia ABC retail outlet. Returns and/or canceled orders must be conducted in the distillery's POS system and recognized/decremented from the quantity sold on the monthly report to ABC, within the same month in which the return/cancel occurred.

Reconcile against each specific POS platform utilized to ensure reported quantities sold do not include items that were returned and/or canceled. If bottles are returned during a month in which zero sales were recorded for those items, the quantity sold should reflect a negative number equal to the quantities returned. **A description of all such returns/cancels as well as any errors in sales should be provided in the Notes section of the monthly report.**



## 1. Traditional Method

- **Simple Return/Cancel of Resalable Items** – In addition to decrementing the returned/canceled item(s) from the reported quantity sold, the resalable bottle(s) would physically return to the Virginia ABC-owned inventory available for sale. The returned/canceled merchandise was previously paid for by Virginia ABC and should not be double charged to Virginia ABC on the monthly report.
- **Return/Cancel of Resalable Items and Exchanges** – Virginia ABC does not conduct exchange transactions. If a customer wants to return merchandise previously purchased in order to purchase a different product(s), two separate transactions need to take place. First, complete all required steps to fulfill a return/cancel transaction as described above under **Simple Return/Cancel of Resalable Items**. Second, have the customer conduct a new separate sale transaction as normal to purchase the newly intended product.
- **Returns of Damaged Items without Reissue**– In addition to decrementing the returned item(s) from the reported quantity sold, the damaged bottles(s) would not return to inventory available for sale. The number of damaged bottles returned should be replaced from bond into ABC owned inventory available for sale. This addition to available inventory should not be charged to ABC on the monthly report; such damages are the responsibility of the distillery.
- **Returns of Damaged Items - Reissued** – In the case of reissuing merchandise returned due to damage, first complete all required steps to fulfill a return transaction as described above under **Returns of Damaged Items without Reissue**. Afterwards, have the customer conduct a new separate sale transaction as normal to repurchase the intended product.

## 2. Net Payment Method

- **Simple Return/Cancel of Resalable Items** – In addition to decrementing the returned/canceled item(s) from the reported quantity sold, the resalable bottle(s) would physically return and be included in the record of bailment inventory available for sale.
- **Return/Cancel of Resalable Items and Exchanges** – ABC does not conduct exchange transactions. If a customer wants to return merchandise previously purchased in order to purchase a different product(s), two separate transactions need to take place. First, complete all required steps to fulfill a return/cancel transaction as described above under **Simple Return/Cancel of Resalable Items**. Second, have the customer conduct a new separate sale transaction as normal to purchase the newly intended product.
- **Returns of Damaged Items without Reissue** – In addition to decrementing the returned item(s) from the reported quantity sold, the damaged bottles(s) would not return to inventory available for sale.
- **Returns of Damaged Items - Reissued** – In the case of reissuing merchandise returned due to damage, first complete the return transaction in the POS system and decrement the damaged item(s) from the reported quantities sold. Second, have the customer conduct a new separate sale transaction as normal to repurchase the intended product.

## H. Internal Audit

Virginia ABC Internal Audit will conduct audits of the Distillery Store premises and records on a periodic basis, at least annually, or more frequently as deemed necessary. Virginia ABC Internal Audit will provide 48 hours' notice prior to the visit via email, phone, or both. Internal Audit will do an inventory count of Virginia ABC store inventory as well as review the following documentation:

1. Retail sales records from your point of sale system (POS)
2. Monthly physical inventory counts
3. Monthly moved to sales floor records of inventory moved from TTB to the store inventory
4. Records of sales to licensees
5. Purchases by the Distillery Store for tastings



6. Training certificates of completion for RSVP/MART
7. TTB records

Please retain the above documentation for audit purposes for two years and have the documentation ready and accessible for the scheduled audit. *Depending on the size and volume of the store, the on-site portion of the audit will take from 4-6 hours. Virginia ABC Internal Audit will make every attempt to minimize the disruption of the normal operations of the Distillery Store while on premise.* A Distillery Store representative shall be available during the audit to answer questions and assist with the inventory count for the duration of the audit.

## I. Point of Sale (POS) System Requirements

The distiller's POS system must have the following capabilities:

1. Accepts credit cards
2. Records all bottle sales by product and quantity, and identifies the sale by type (retail, licensee, tasting bottles, and other tax-exempt)
3. Generates sales reports containing sufficient information to enable auditors to verify reported sales numbers by product, type of sale, and date  
*(Code of Virginia § 4.1-204)*

## METHODS OF PAYMENT

1. Cash
2. Credit or Mastercard/Visa debit card
3. Certified personal checks or cashier's checks
4. Mixed beverage licensee business checks (Virginia ABC Distillery Stores are responsible for collection of any funds not received for merchandise due to returned checks. If the returned check cannot be satisfied prior to making the deposit for that sales period, the Distiller is responsible for depositing the difference).
5. Gift Cards: Distillers are permitted to sell gift cards to customers, but it may not bear the ABC logo and is not redeemable at a Virginia ABC store.

## J. MIPS, Price Changes, and Discounts

Subject to the requirements of Code of Virginia § 4.1-119, Virginia ABC shall fix the retail prices at which the distilled spirit is sold in the Distillery Store. Consistent with Virginia ABC's responsibility to establish retail prices, Distillery Stores may only sell distilled spirits in sizes and at prices approved by Virginia ABC. The sale of distilled spirits in unapproved sizes or prices shall constitute a violation of the terms and conditions of this Agreement. Only one price may be charged for any distilled spirit item sold within Virginia, be it at a Distillery Store and/or within Virginia ABC retail stores.

Additionally, no product, including distillery only or "SONC" products, may be offered for sale at different prices within the Distillery Store. Retail consumers (non-licensees), licensees, and the distillery itself must pay the same price for product. **Any attempt to vary prices shall constitute a violation of the terms and conditions of the Distillery Store Agreement and may result in sanctions.** For errors in reported sales due to ringing the wrong code incorrect price or similar mistakes, **Virginia ABC reserves the right to require the difference in the higher of the approved price and the actual price charged be remitted to Virginia ABC upon monthly reporting.**



In addition to appropriate prices, only the appropriate sales tax is to be charged to and collected from customers for retail sales. Distilleries are responsible for working with their vendors to ensure that the appropriate sales tax is being charged on all POS platforms employed, including those used for online sales. Mixed beverage licensees do not pay sales tax on purchases of distilled spirits.

All distilled spirits available for sale on any sales platform must be made available to all customers, both retail and licensee. Under no circumstances are distilleries permitted to restrict sales and availability of certain items to select customers/licensees in which the select customer/group receives a price advantage.

## 1. MIPS

Virginia ABC's Management of Inventory and Product Sales Systems (MIPS) can be accessed through Virginia ABC's website at <https://www.abc.virginia.gov/licenses/spirits-industry-resources>. Click the MIPS access tile on the bottom right side of the page. Distillers may also download a PDF of the MIPS User Manual from this tile. For more immediate assistance, contact Virginia ABC Product Specialist Robin Fox at 804-213-4524.

In addition to being certified by the TTB, all Distillery Store products (alcohol) must be approved by Virginia ABC and entered into MIPS before a Distillery Store may sell those products to the public. This obligation exists even if Virginia ABC has issued the Distillery Store a new Distillery Store Agreement. Each product is considered a unique product requiring its own approval and item code in MIPS along with a unique UPC code if the name, type of alcohol, flavor, recipe, proof, and/or size of bottle differs from another product. Each item available for sale, including SONC/Distillery Only items, is required to be properly labeled with the associated UPC code affixed.

Items that have not yet been approved and assigned an item code in MIPS are not permitted to be sold to the public and any attempt to do so shall constitute a violation of the terms and conditions of the Distillery Store Agreement. Any new flavors or recipes produced, to include a variation of botanicals used from previously approved products, must first be approved and entered into MIPS before they can be sold to the public.

For assistance or to obtain a copy of the product specification form, please contact [robin.fox@virginiaabc.com](mailto:robin.fox@virginiaabc.com) and copy [distillerygroup@virginiaabc.com](mailto:distillerygroup@virginiaabc.com) on any such requests. The Product Specification Form and instructions on completing the form are provided at the bottom of the Distillery Store Information page. <https://www.abc.virginia.gov/licenses/spirits-industry-resources/distillery-store-information>

The appropriate price for all approved products can be found in MIPS as it is updated each month for any approved sale prices. Distilleries are responsible for checking MIPS on the first of each month to ensure the appropriate monthly prices are loaded and charged within all POS systems utilized within that month.

Distilleries should also ensure the appropriate MIPS pricing is reflected on the monthly reporting worksheet to Virginia ABC. For assistance or if a correction/change needs to be made to a formula or price, Distillers must notify Virginia ABC via [distillerygroup@virginiaabc.com](mailto:distillerygroup@virginiaabc.com).

As previously noted, there are four product categories in MIPS:

- STD: (Standard) – Listed products that have gone through the listings process
- SOC: (Special Order Catalog) – Products that are listed in the ABC Special Order Catalog
- SONC: (Special Order Non-Catalog) – Products that have not been listed in the catalog, but can be ordered
- *SONC/DO: (Special Order Non-Catalog- Distillery Only) – Products only sold in the Distillery Store. All new Distillery Store products will be marked Distillery Only until they go through Listings or are special ordered.*



When Standard products experience low turnover in Virginia ABC retail stores, they are deemed slow movers and could become delisted by the Marketing *and Merchandising Division* at which point they are eliminated in MIPS. Distilleries may continue to sell those items in their Distillery Stores with the submission and approval of a new Product Specification Form, specifying the “Distillery Only” designation in the product name field. Distilleries should monitor for such items, as they would need to be re-added into MIPS as a Distillery Only item before they can continue to be sold.

## 2. Price Changes

**Standard products are subject to a quarterly price change limitation** where prices may only be adjusted once per quarter. *They must be put into MIPS 90 days in advance and take effect on the first day of the quarter (January, April, July, October).* Price changes can only take effect on the **first of the month**. Please submit all price change requests via MIPS for Standard product changes.

For SOC/SONC/Distillery Only products, a price change request must be submitted at least 15 days in advance of the change, which must occur on the first day of the month and must last the duration of that month. Price change requests received after the 15th will not be processed in time for the price change to take effect on the first of the next month but, instead, will take effect on the first of the second month following the request. Please check the “History” button next to products listed in MIPS to ensure any requested price changes are approved and scheduled to take place before the sale price is loaded into any of the Distiller POS systems to ensure that product is sold at the authorized price.

SOC/SONC/Distillery Only change requests must be submitted to [robin.fox@virginiaabc.com](mailto:robin.fox@virginiaabc.com). Please always copy in [distillerygroup@virginiaabc.com](mailto:distillerygroup@virginiaabc.com) when requesting these changes. This will ensure that the price change requests are processed in a timely manner. Please allow adequate time for Virginia ABC to process the price change.

## 3. ABC Authorized Promotions

Virginia ABC authorizes discounts from time to time, such as Black Friday. Virginia ABC will determine these discounts and communicate them to Distillers in advance of the discount opportunity. Any questions regarding discounts should be directed to Virginia ABC’s Marketing and Merchandising Division ([marketingTM@virginiaabc.com](mailto:marketingTM@virginiaabc.com)). With the exception of specific Virginia ABC approved discounts such as Black Friday, no distilled spirits are permitted to be sold within the commonwealth at any discounted or inflated price outside of Virginia ABC approved price within MIPS.

## K. Listed Products (STD), Distribution Center, and Payment Information

For information concerning listed products in our ABC Distribution Center (“DC”) such as logistical information in getting the product to the DC and for DC inventory questions, please contact warehouse manager **Bryan Vaughan at (804) 213-4525 or [bryan.vaughan@virginiaabc.com](mailto:bryan.vaughan@virginiaabc.com)**. For information concerning payments for products moved from the DC to ABC stores, please contact **Accounts Payable at [accounts.payable@virginiaabc.com](mailto:accounts.payable@virginiaabc.com)**. *Products sent to the DC for sale at ABC stores should come from bond, NOT the Distillery Store sales floor. Therefore, any sales/movements to the DC should NOT appear on the Distillery Store Worksheet.*





## Tastings

Distillery licensees who are authorized to operate an ABC store on the distillery premises may conduct tasting events where samples of spirits may be given or sold to patrons lawfully able to buy and consume alcohol in Virginia. Distillery licensees may also offer samples of wine, beer or cider to patrons during tasting events, provided the wine, beer or cider products be manufactured within the same licensed premises or on contiguous premises of the distillery licensee that is also licensed as a winery or brewery.

*(Code of Virginia § 4.1-119 (G))*

Prior to opening a bottle of a distillery product for use in a tasting, it must first be purchased by the Distiller through the POS system, identifiably marked by a stamp/sticker (similar to that of licensees) and stored in a way that separates it from sales inventory. The bottle is purchased as a tax-exempt sale and listed on the “quantity purchased for tasting room” line of the Distillery Worksheet. The Distiller may charge for participation in tastings. However, if the Distiller does charge for tastings, the Distiller is required to collect retail sales and use tax at the time of the tasting sale.

*(Code of Virginia § 4.1-204)*

Distilleries are required to record all tastings/samples, including complimentary tastings, provided to all patrons in the POS system. Complimentary tastings, for instance those provided along with a tour, should be recorded under their own category separate from paid tastings (*i.e.* Comp Tasting or Comp Mixed Cocktail). This information will be utilized to determine if the distillery has generally purchased a reasonable volume of alcohol, with a deviation considered for missed pours, to support the volume of alcohol consumed via tastings/samples provided to patrons.

### **SAMPLE SIZES AND LIMITS**

Distilleries solely manufacturing distilled spirits are limited to a maximum of three (3) ounces per customer per day.

For distilleries with more than one manufacturing privilege (ability to manufacture on the licensed or contiguous premise beer, cider, and/or wine): No more than 12 ounces of beer, 5 ounces of wine, or 3 ounces of spirits shall be given or sold to any person per day. In the case of spirits samples, the distillery is required to employ a method to track the consumption of each consumer. Please see the single sample limitations provided below.

Legal requirements for all sample tastings (both paid and complimentary):

#### Beer, Wine, and Cider

- No single sample shall exceed four ounces of beer
- No single sample shall exceed two ounces of wine or cider

#### Distilled Spirits

- No single sample shall exceed one-half (1/2) ounce of spirits, unless served as a mixed beverage (see definition).
- If served as a mixed beverage, a single sample may contain up to 1.5 ounces of spirits.
- *A low-alcohol-beverage (“LAB”) (7.5% ABV or lower) sample cannot exceed 5 ounces if sampled alone. If sampled with spirits, the Distiller may provide up to 3 ounces of the LAB and two ½ ounce samples of spirits.*





### Mixed Beverage Samples

- May contain spirits or vermouth not manufactured on the licensed premises or on contiguous premises of the licensed distillery, provided that:
  - ♦ 75% of the alcohol used in such samples is manufactured on the licensed premise or on contiguous premises of the licensed distillery.
  - ♦ No more than 10 varieties of spirits or vermouth not manufactured on the licensed premises or on contiguous premises of the licenses distillery may be kept on the premises.
  - ♦ Any spirits or vermouth not manufactured on the licensed or contiguous premises shall be purchased tax-exempt from Virginia ABC *and the receipt for the purchase must be kept on file.*

Individuals intoxicated or individuals under the age of 21 are not permitted to purchase, consume, or possess alcoholic beverages. Distillery licensees and their employees are legally responsible for ensuring that all individuals sampling or purchasing alcoholic beverages are 21 years or older and are not intoxicated.

The tasting room will employ a system of ensuring that customers are only permitted to participate in one tasting event per day. This could be accomplished with tickets that are purchased in advance, a cash register receipt or any other means that enable the Distillery Store to track patrons that receive tastings each day whether purchased or given.

Distillery Store employees must ensure that the consumer finishes the sample and/or discards the cup and any remaining sample before leaving the sampling area. Consumers are not to carry samples around the Distillery Store or remove them from the store premises.

*(Code of Virginia § 4.1-119)*

*Distillers are encouraged to provide small, pre-packaged snacks and food items such as cheese and crackers or similar products with their tastings.*

## Delivery and Shipping

### DELIVERY

Any Distiller that has been appointed as an agent of Virginia ABC may, subject to the distiller's agency agreement with Virginia ABC, deliver to consumers within the Commonwealth for personal consumption any alcoholic beverages that the Distiller is authorized to sell through organized tasting events in accordance with subsection G of § 4.1-119 and Virginia ABC regulations.

When a Distillery Store exercises the ability to deliver to a consumer (non-licensee), the following guidelines must be followed:

1. The Distiller is authorized to provide spirits and low alcohol beverage coolers manufactured by or for, or blended by such licensee on the licensed premises through electronic or other orders and deliver such orders to consumers in the Commonwealth in accordance with the provisions of this manual as an agent of the Board. **HOWEVER, no such Distiller shall be permitted to sell more than six (6) bottles of spirits or two (2) cases of low alcohol beverage coolers to any one consumer per month.**
2. Bottles of spirits delivered shall have a maximum capacity no more than 1.75 liters.
3. The Distiller shall ensure the recipient is at least twenty-one (21) years of age; and that the recipient's name and date of birth are recorded.



- All such deliveries of spirits or low alcohol beverage coolers shall be performed by either (i) the owner or any agent, officer, director, shareholder or employee of the Distillery Store or (ii) a third-party delivery service of the Distillery Store, provided that (a) the Distillery Store has entered into a written agreement with the third-party delivery service establishing that the Distillery Store shall be vicariously liable for any administrative violations of this section or Code of Virginia § 4.1-304 committed by the third-party delivery service relating to any deliveries of spirits or low alcohol beverage coolers made on behalf of the Distillery Store, (b) only one individual takes possession of the spirits or low alcohol beverage coolers during the course of the delivery, and (c) *the independent delivery contractor has a third-party delivery license as per Code of Virginia § 4.1-212.1.*
- Should the Distiller decide to use a third-party delivery service, **the Distiller must ensure that the third-party service holds a valid third-party delivery license from Virginia ABC.**  
<https://www.abc.virginia.gov/licenses/val/definitions/third-party-delivery>
- All Distillers delivering spirits or low alcohol beverage coolers pursuant to this manual shall affix a conspicuous notice in 16-point font or larger to the outside of each package stating, “CONTAINS ALCOHOLIC BEVERAGES; SIGNATURE OF PERSON AGE TWENTY-ONE (21) YEARS OR OLDER REQUIRED FOR DELIVERY”.

The onus to resolve delivery discrepancies resides between the distilleries and their contracted delivery agent. Virginia ABC bears no responsibility in covering the cost for items involved in any transaction dispute between a distillery and their contracted third-party delivery agent.

## COCKTAILS TO GO (CURBSIDE DELIVERY)

Deliveries may be made to a person's vehicle if (i) located in a designated parking area of the distiller's premises where such person has electronically ordered mixed beverages in advance of the delivery or (ii) such other locations as may be permitted by Virginia ABC regulation. No Distiller shall sell for off-premises consumption or deliver more than two mixed beverages at any one time. This provision currently expires on 7/1/24.

*(Code of Virginia § 4.1-212.1)*

## SHIPPING

*Distillery Stores are permitted to ship to Virginia customers via a designated local Virginia ABC store so long as they have an active Shipping Addendum with Virginia ABC. Please contact [distillerygroup@virginiaabc.com](mailto:distillerygroup@virginiaabc.com) to receive a Distillery Store Contract Shipping Addendum. Distillers must comply with the requirements stipulated in the addendum in order to legally ship in the Commonwealth of Virginia.*


## Marketing to Restaurants

In order to market your products to mixed beverage licensees, the ABC Distillery Store agents are required to obtain a Mixed Beverage Solicitors Salesman permit. The form with instructions can be found and downloaded at:

<https://www.abc.virginia.gov/library/licenses/pdfs/val/solicitor-salesman-permit-application.pdf>

Distillery licensees and their employees may conduct tastings (sampling) of their products with consumers in mixed beverage restaurants provided:

- The product to be sampled are sold by the establishment.
- The products being sampled are served to the consumer by employees of the restaurant.
- No more than 1.5 ounces of spirits products are provided to any one customer and each sample may not contain more than 0.5 ounces of spirits (**please note, this limit is smaller than the Distillery Store tasting limitations**).

- 
4. The products being offered as tastings are purchased from the restaurant and the distillery licensee or their employees must be present during the tasting.
  5. The distillery may not spend more than \$100 (exclusive of tax and gratuities) at any one establishment during any 24-hour period. Gratuities may not exceed 20% of the cost of alcoholic beverages.
  6. The distillery licensee keeps complete records of each tasting, which shall include the date and place of each tasting, items purchased, and amount spent.

Distillers may engage the services of a third-party representative to conduct tastings if the representative has obtained a Solicitor Tasting Permit. **Please note this is separate from the Solicitor Salesman Permit.**

<https://www.abc.virginia.gov/library/licenses/pdfs/val/solicitor-tasting-permit-application.pdf>

Distillers consigning inventory to employees to direct sell to restaurants must ensure inventory control of the products consigned to their sales force. Distillers shall develop a tracking system or inventory control sheets so that total inventory, both on premises and with their salespeople, can be accounted for at any given time. While on site conducting inventory, Virginia ABC Internal Audit will ask for a listing of all consigned inventory and sales records for any sales of consigned inventory. They will then reconcile that to the consigned inventory on hand reported by each of the employees responsible for consigned inventory. *Distillers should contact their Virginia ABC Compliance Agent or [Compliance@virginiaabc.com](mailto:Compliance@virginiaabc.com) with any questions regarding the off-site storage or consignment of spirits.*

## Distillery Store Sales to Mixed Beverage Retail Licensees

Distillery Stores may sell their products to mixed beverage retail licensees provided the following guidelines and procedures are followed:

1. The mixed beverage licensee is responsible for providing the Distillery Store with a copy of the mixed beverage license that includes the licensee number and any other information needed to verify the validity of the license. The Distiller can verify that the license is valid by entering the license number on Virginia ABC's website: <https://www.abc.virginia.gov/licenses/find-a-license/search-tool>
2. If there is any question regarding the validity of a mixed beverage retail license, please contact your Special Agent prior to making any sales. Virginia ABC Internal Audit will verify that all licensees purchasing from the Distillers hold active, valid Virginia ABC licenses at the time of their visit.
3. Sale of miniatures (50 mls) is prohibited to mixed beverage licensees except for motels, hotels, common carriers, and golf courses associated with a resort complex.
4. Mixed beverage licensee customers may not purchase value added product packages for use in their place of business. Value added products are items of value that are included in a unique packaging of a regularly listed product. Common examples of value-added products are glassware, flasks, T-shirts, jiggers, mixers, etc.
5. Mixed beverage licensees may purchase co-pack items as long as no additional item of value is contained in the co-pack. "Co-packs" are two bottles of distilled spirits that are offered at a reduced price when purchased as one sales unit. The price of the combined items must exceed the regular listed price of the more expensive item in the co-pack. All items contained in a co-pack must be regularly listed items and the co-pack must be listed and approved for sale by Virginia ABC with a unique MIPS product code.
6. Licensee orders may be picked up by individuals under twenty-one (21) if they are in pursuance of duties as an employee of a mixed beverage licensee.
7. The Virginia ABC-provided licensee order form must be used for all licensee purchases. A representative of the distillery must sign the purchase order at the time of pickup. The licensee representative picking up the order must also sign the purchase order at the time of pickup. The order form can be downloaded here:



<https://www.abc.virginia.gov/library/licenses/pdfs/licensee-order-form-21021.xlsx>

8. Virginia ABC Special Agents are to be allowed unrestricted access to stores for the purpose of examining the licensee files.
9. Retail mixed beverage licensees do not pay sales tax on purchases in Virginia ABC stores.

## ASSEMBLING THE ORDER

All merchandise sold to mixed beverage licensee customers must have a Monarch Marking machine label affixed to the **front** of each item indicating the mixed beverage retail license number, store number and order number using a four-digit order number. The order numbers must be maintained by the Distillery Store and be assigned in consecutive order. The Distillery Store is responsible for acquiring Monarch Marking machines (or a similar device) and labels.

Example stamp for store 032, first mixed beverage licensee sale, sold to licensee #12345:

**0320001**  
**12345**

Example stamp for store 032, second mixed beverage licensee sale, sold to license #54321:

**0320002**  
**54321**

- A mixed beverage licensee label be affixed to each individual container of 50 milliliter merchandise sold to a licensee is not required, but a label must be affixed to the case or bag that contains the merchandise.
- All value-added items (add-ons) must be removed from the merchandise sold to mixed beverage licensees **prior to sale**.
- ***To accommodate licensee numbers from the new VAL system that may be too large for your Monarch Marking Machines, drop the leading zero and first digit of the licensee number.***

## WHEN THE ORDER IS PICKED UP BY THE LICENSEE AGENT OR DELIVERED TO THE LICENSEE AGENT:

1. Print two copies of the completed Virginia ABC licensee order form. All information must be complete and accurate.
2. Have the licensee agent sign the completed licensee order form in the space opposite “received by” on both copies.
3. Store personnel will fill out the transportation section on both copies of the form when the licensee agent has accepted the merchandise.
4. Retain one copy of the licensee order form for store records and affix the sales receipt to the form. The second is to be issued to the licensee.
5. Completed licensee order forms must be maintained by the Distillery Store and available for audit for a period of no less than two years.

## REPORTING

- Sales to mixed beverage licensees must be reported under the appropriate section of the monthly sales report.
- The Distillery Store must also fill out the detail log of sales to mixed beverage licensees and submit monthly when such sales have occurred. *This log should directly correspond to the licensee order forms of completed licensee purchases during the month.* The totals listed on this log must match the monthly sales report.



## Remote Sales at Approved Events

Distilleries may sell their distilled spirits products directly to consumers at special events in the Commonwealth provided the following conditions are observed:

1. The distillery must have an approved Distillery Store agreement on file and be in good standing with Virginia ABC.
2. The event where the remote Virginia ABC store privilege is to occur must be at a site of an event licensed by Virginia ABC and conducted for the purpose of featuring or educating the consuming public about spirits products. A banquet mixed beverage special event license or a manufacturer's distilled spirits event license for that particular event must be on file prior to approval.
3. A manufacturer distillery may obtain a manufacturer's event license, which allows a manufacturer of distilled spirits, whether licensed in the Commonwealth or not, to obtain a banquet license for a special event upon application to Virginia ABC, provided that such event is at a place approved by Virginia ABC and conducted for the purposes of featuring and educating the consuming public about the manufacturer's spirits products. Such manufacturer shall be limited to no more than **eight banquet licenses for such special events per year**. When the event occurs on no more than three consecutive days, a manufacturer need only obtain one such license for the event. Such banquet license shall authorize the manufacturer to sell or give samples of spirits to any person to whom alcoholic beverages may be lawfully sold in designated areas at the special event, provided that no single sample shall exceed 0.5 ounces per spirits product offered, unless served as a mixed beverage, in which case a single sample may contain up to 1.5 ounces of spirits, and no more than three ounces of spirits may be offered to any patron. Such samples may be served as part of a mixed beverage.  
*(Code of Virginia §§ 4.1-215 & 4.1-210 (A)(4))*
4. The Distiller must complete a distillery remote request and receive approval prior to the remote sale of distilled spirits. Request for remote Virginia ABC store privilege made to Virginia ABC must be made through Virginia ABC's website. Requests submitted less than seven working days in advance may not be processed and approved prior to the event date. Distillery remote request: <https://www.abc.virginia.gov/licenses/spirits-industry-resources/distillery-remote-request>.
5. **The Distiller is required to submit their event approval letter with their Distillery Worksheet for the month the event sales are reported.**
6. The Distiller must keep separate sales records of what is sold in their Distillery Store and each off-premise event they attend. These are to be transmitted to Virginia ABC upon request.
7. The Distiller is responsible for collecting and remitting sales taxes at the correct rate for the locality in which the sale took place. Sales assessed at a tax rate that differs from that of the physical Distillery Store must be reported separately to Virginia ABC on the monthly distiller's report. Tax rates can be found at: <https://tax.virginia.gov/retail-sales-and-use-tax>.
8. Spirits purchased at any special event associated with the remote store privilege shall be for off-premise consumption only.
9. Sales to mixed beverage licensees at remote sales locations are permitted provided all procedures in the previous section regarding sales to mixed beverage licensees are followed.



10. A distillery that is hosting an event where a third-party has obtained a mixed beverage special event license for the purpose of featuring and educating the consuming public about spirits products, and who has ceased operation of their Virginia ABC store for a licensed event taking place within the area of the Virginia ABC store, could not also qualify for the privilege of a remote location to sell spirits at retail in the same store area. However, that distillery may obtain a remote license to sell at retail at other events provided their Virginia ABC store operation had ceased. This would include the ability to operate a remote location on the same addressed property of the event taking place in the Virginia ABC store area. The remote location cannot be inside the physical store area as the sales operations in the designated store area must cease and may not resume until one hour after the event. *This provision only applies to events taking place within the established Virginia ABC store area.*

a. For example:

- i. If you, the distiller, allow someone else (a third-party with a mixed beverage social event license) to host an event within the area of your distillery designated as your Virginia ABC store (meaning you rent your space as a banquet space), you:
  1. Must cease selling spirits in your Virginia ABC store until one hour after the licensed third-party event has ended.
  2. Are NOT eligible to also obtain an event license yourself and sell in the same Virginia ABC store designated space as the third party hosting their event (you cannot both be there).
  3. CAN obtain a remote license to hold an event on your premises provided you are not inside the physical store area. If your premises are large enough, you could be within a different area of your property, outside, *et cetera*, just not inside the store area next to the third-party vendor.

## Closing a Store, Second Locations, Moving Locations

**Closing a Distillery Store:** To close a Distillery Store, the Distiller must first contact the Distillery Liaison in writing ([erin.mitchell@virginiaabc.com](mailto:erin.mitchell@virginiaabc.com)) to announce their intent to close, the expected final day of sales, and whether or not the distillery license will also be surrendered. If the Distiller is using the Traditional Method of reporting, they must clear their ABC-owned inventory, either through sales or buying back their product. The Distillery Liaison will work with the Distiller and the Distiller's Special Agent to determine the sale or disposal of any remaining product.

**Opening a 2<sup>nd</sup> Location:** A second location must be treated like a new distillery and Distillery Store, but both locations may be operated under the same Vendor ID in ABC's inventory system (MIPS). Some form of distillery production must occur on premises in order to open a Distillery Store and a second distilling license for the premises is required. The Distiller should consult with their Special Agent before pursuing a second location.

**Moving Locations:** Distillers should inform the Distillery Liaison of their plans to move at least 2 months in advance so that there is time to process the closing of the original store and the opening of the new store. The Distiller must ensure that the licensing process (both Federal and Virginia ABC) for the new location is complete before they apply for a store at the new location. The Distiller should contact their Special Agent for guidance before moving locations.





## Correspondence and Contact Information

General questions to Virginia ABC and monthly reporting submissions:

[DistilleryGroup@virginiaabc.com](mailto:DistilleryGroup@virginiaabc.com)

\*The distillery team prefers that Distillers copy the distillery group email above in any correspondence you have with someone at Virginia ABC so that they can stay informed.

### **Distillery Liaison:**

Erin Mitchell  
(804) 977-7452  
[Erin.Mitchell@virginiaabc.com](mailto:Erin.Mitchell@virginiaabc.com)

### **For inquiries regarding employee training and alcohol education information:**

Kristina Yager – Education Coordinator  
(804) 213-4571  
[Kristina.Yager@virginiaabc.com](mailto:Kristina.Yager@virginiaabc.com)

### **Information on education programs- Responsible Sellers & Servers: Virginia’s Program (RSVP) and Managers’ Alcohol Responsibility Training (MART) can be found at:**

<https://www.abc.virginia.gov/licenses/training>

### **Price changes, setting up new products, MIPS requests:**

Robin Fox – Product Specialist  
(804) 213-4524  
[Robin.Fox@virginiaabc.com](mailto:Robin.Fox@virginiaabc.com)

### **For information regarding Listings, delistings, and marketing within Virginia ABC:**

Maria Jeter – Product Program Manager  
(804) 213-4523  
[Maria.Jeter@virginiaabc.com](mailto:Maria.Jeter@virginiaabc.com) or  
[MarketingTM@virginiaabc.com](mailto:MarketingTM@virginiaabc.com)

### **For inquiries regarding Warehouse/Distribution Center drop-off and bailment inventory:**

Bryan Vaughan – Supply Chain/Operations Manager  
(804) 213-4525  
[Bryan.Vaughan@virginiaabc.com](mailto:Bryan.Vaughan@virginiaabc.com)

### **For inquiries regarding payment for bottles shipped from the Distribution Center to Virginia ABC stores:**

[Accounts.Payable@virginiaabc.com](mailto:Accounts.Payable@virginiaabc.com)

### **For Shipping Support:**

[Distillery\\_Shipping\\_Support@virginiaabc.com](mailto:Distillery_Shipping_Support@virginiaabc.com)

### **For general Distillery Store information and associated documents for download:**

<https://www.abc.virginia.gov/licenses/spirits-industry-resources/distillery-store-information>

### **For inquiries regarding license compliance and distillery operations,** please contact your assigned compliance Special Agent. Contact information for members of our compliance unit and the localities they serve is located at:

<https://www.abc.virginia.gov/enforcement/bureau-of-law-enforcement/compliance-unit>

### **If you are unable to locate your assigned agent:**

Marc Haalman – Compliance Special Agent in Charge  
(804) 213-4626/4632  
[Marc.Haalman@virginiaabc.com](mailto:Marc.Haalman@virginiaabc.com)

### **For inquiries regarding Distillery Store audits:**

Ghia Smith – Internal Audit Manager  
(804) 213-4459  
[Ghia.Smith@virginiaabc.com](mailto:Ghia.Smith@virginiaabc.com)

### **ACH Deposit:**

Christina (Tina) Wilhelm  
Cash and Banking Manager- VA Dept. of Treasury  
(804) 225-2648  
[Christina.Wilhelm@trs.virginia.gov](mailto:Christina.Wilhelm@trs.virginia.gov)

### **DOA EDI Payment Information**

<https://www.doa.virginia.gov/forms/EDI/AgreementVendor.pdf>  
[edi@doa.virginia.gov](mailto:edi@doa.virginia.gov)