







- What's happening that impacts you?
- Status Update on Important States
- Shared Speculation



So What Happened in 2015?



Success Leads to Increased Scrutiny



With sales approaching \$2 Billion in 2015, regulators and other industry players up their scrutiny of DTC shipping



States Took Enforcement Actions in 2015



- States have increased their activity in enforcing DTC laws.
- Cease-and-Desist letters were sent to shippers and carriers.
- More states are looking to step up enforcement.







Illinois Qui-Tam Lawsuits



- Attorney Steven Diamond sued wineries and retailers over tax on freight
- Retailer suits dismissed by AG after determination the law was not applicable



- Winery suits moved forward
- Wine Institute and Individual Members Sued AG
 & DOR in July
- DOR Issued proposed clarifying rules in August many suits being dismissed
- Awaiting new DOR rules and action on the litigation

New York SLA put Retailer Shipping in the Spotlight



- Empire Wine vs. New York SLA is ongoing
- other states are watching
- Legislation to prevent the SLA from acting against Empire Wine was vetoed by Governor Cuomo in December

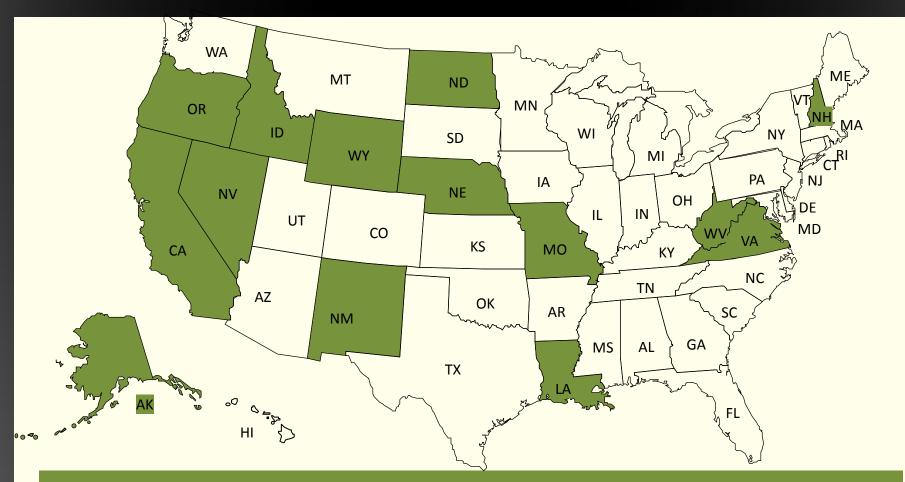




DTC Shipping by Out-of-State Wine Retailers



(American Wine Consumers Coalition)



Out-of-State Wine Retailer Shipments Allowed in 14 States and DC:

AK, CA, DC, ID, LA, MO, NE, NV, NH, NM, ND, OR, VA, WV, WY (with restrictions)

Michigan Wholesalers Spur Enforcement Actions



 MBWW issued an RFP for shipping enforcement program in January of 2016



- MLCC is conducting stings and doing audits
- Outside label requirement is a focus:
 - "a label containing DTC license #; order #; name and address of the individual placing the order and the name of the designated recipient (if different), must be placed on the top panel of the shipping container"
- Carriers were included in the stings

Regulators Continue to Examine the Role of Third-Party Providers



















What is a Third-Party Provider?



Typically, a "Third-Party Provider" is a *non-licensed* entity providing a "service" to a licensee (winery) to facilitate their shipments to a consumer.

What We're Telling Wineries About Third-Party Providers



Most Third-Party Providers are following the rules and can help you to reach new markets if you (the winery) have the correct licensing.

Remember – No one else can "hold" the licenses to allow a winery to ship into another state unless the winery is selling the wine to them and they hold a retail license....

States are Paying Closer Attention to Carrier Reporting Requirements



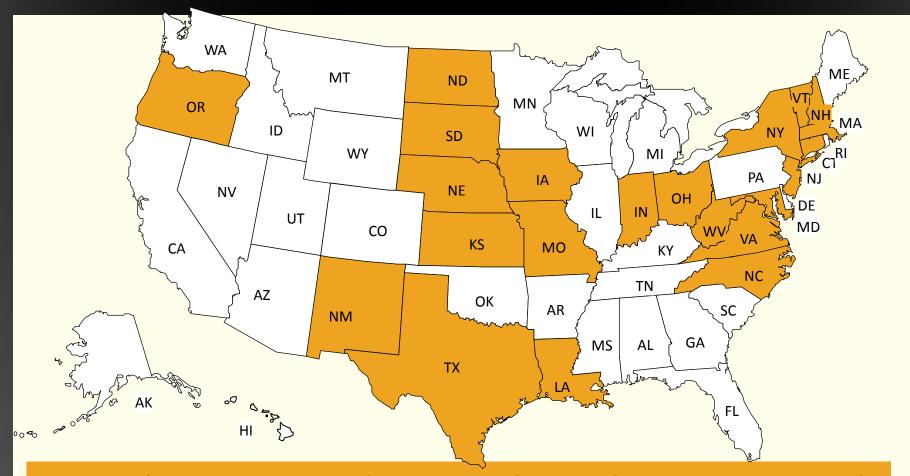
More states are requiring common carriers to file reports, and more emphasis is being put on reviewing these reports





State Licensure of Common Carriers to Transport Wine Shipments





22 of 43 DTC shipping states & DC now require Common Carrier Licensure for DTC:

CT, IN, IA, KS, LA, MA, MD, MO, NE, NH,NJ, NM, NY, NC, ND, OH, OR, SD TX, VT, VA, WV



Lot's of delivery buzz in 2015





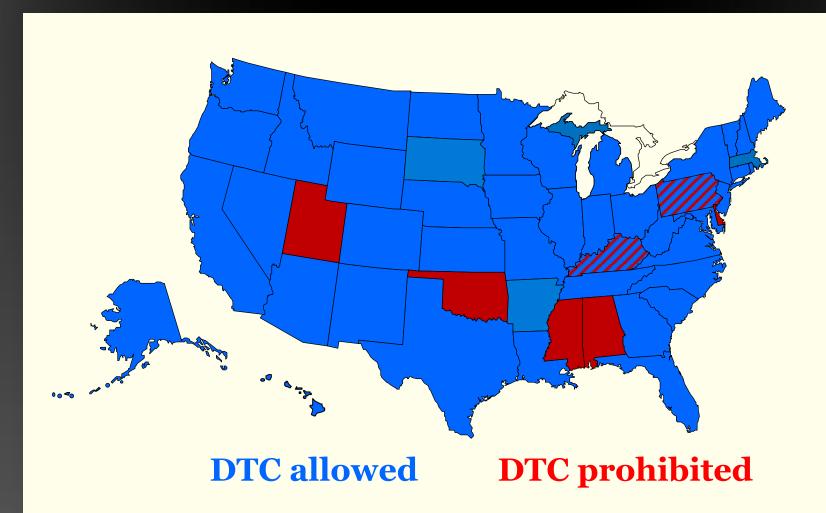






Direct-to-Consumer Shipping by Wineries (as of 1/14/16)









- New States
- Changes to Existing Rules
- New Reporting Requirements



South Dakota – New in 2015



- New law effective 1/1/16
- Apply for tax and shipping licenses via website
- DAKOTA

 SOUTH DAKOTA

 THE SOUTH DAKOTA

 AND THE SOUTH DAKOTA

- \$100 annual fee
- 12 case limit per consumer
- Age Verification
- Label registration required
- Sales and Excise taxes payable quarterly
- FedEx Shipping 1/15 UPS application is pending

Massachusetts – New in 2015



- Massachusetts opened on 1/1/15.
- Instructions and applications all on website
- New: DOR has announced correction of previously conflicting tax information.
 Correct tax for table wine is \$0.55/gal
- Wineries that were paying the incorrect higher rate can file amended excise tax returns. A separate amended return for each tax period is required.
- New corrected tax forms for 2016 filings out shortly



Arkansas – Change in 2015



 As of 7/15/15 local taxes are now due.



Connecticut – Change in 2015



No more dry towns.



Hawaii – Change in 2015



- County of Hawaii now issuing 2-year permits.
- Wineries can now apply for a two-year permit, although new forms are not yet available. (Cross out \$48 and enter \$96 next to fee, and enter 2016-2017 under permit year.) One year permits will also be issued until the new forms are available.



Indiana – Change in 2015



- One-time face-to-face requirement removed
- Allows use of standard age verification services



- Surety bond removed
- Increased the total amount a DTC shipper may sell from 3,000 to 5,000 cases per year.
- Tiered permit: 1,000 cases or less still \$100; over 1,000 tiered structure to \$500 cap at 5,000 cases.
- Wholesaler restriction still remains!

North Dakota – Change in 2015



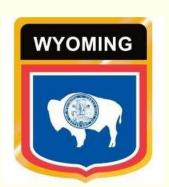
 Effective 9/15/15 FedEx resumed shipments into the state after clarifying legislation was passed.



Wyoming – Change in 2015



- 4 cases per household began on 7/1/15.
- Unfortunate reading of language has limited DTC shipments to only those wines not listed for sale with the WY Liquor Division. (We are working to correct this in 2016.)



Arizona – Off-Site Sales – Reporting Change in 2015



 Limited Out-of-State Winery (Series 2L) and Out-of-State Farm Winery (Series 2W) licensees are now required to report their annual production 30 days after the end of the Calendar year.



 (Previously this had been 30 days after end of AZ's fiscal year, and many wineries missed the filing. Because of the confusion, DLLC has offered wineries that recently paid fines the opportunity to receive a refund in exchange for filing their Annual Production Report.)

Iowa – Reporting Change in 2015



 New semi-annual reporting schedule – due on July 10 and January 10 for each previous 6month period. (Replaced monthly reporting.)



Louisiana – Reporting Change in 2015



 New Winery and Carrier permit and reporting requirements for DTC shippers will go into effect in 2016.



 Wineries must get a DTC shippers permit from the ATC prior to selling wine into the state – previously only required to register with the DOR

Maryland – Reporting Change in 2015



 New law became effective in October changing the frequency of reporting dates.
 The Comptroller's office has yet to finalize new reports or schedules, so stay tuned.



Oregon – Reporting Change in 2015



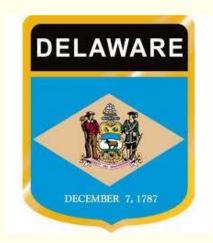
 Beginning 1/1/16 winery DTC reports will transition from monthly to quarterly.



States where bills failed in 2015:



















Pennsylvania in 2016



 We're pushing for DTC shipping to either move as a part of the privatization/ modernization discussion, or as a freestanding bill.



- Currently looking at a flat 12% tax rate
- Support from PLCB again this year

Arizona in 2016



 Work to pass a new bill to allow for wineries over 20,000 gallons to obtain DTC shipping permits



Delaware in 2016



We hope to pass a bill here in 2015



- Current Status: Shipping prohibited
- Exception for Federal On-Site rule:
 Winery allowed to ship home what a
 consumer could carry (unlimited
 amount in DE) when purchased on-site
 at the winery Consumer must pay
 excise tax

New Jersey in 2016



- Fix-it bill to address shortcomings of existing law:
- Remove 250,000 gallon capacity cap
- Eliminate requirement that corporations and LLC's must pay corporate tax





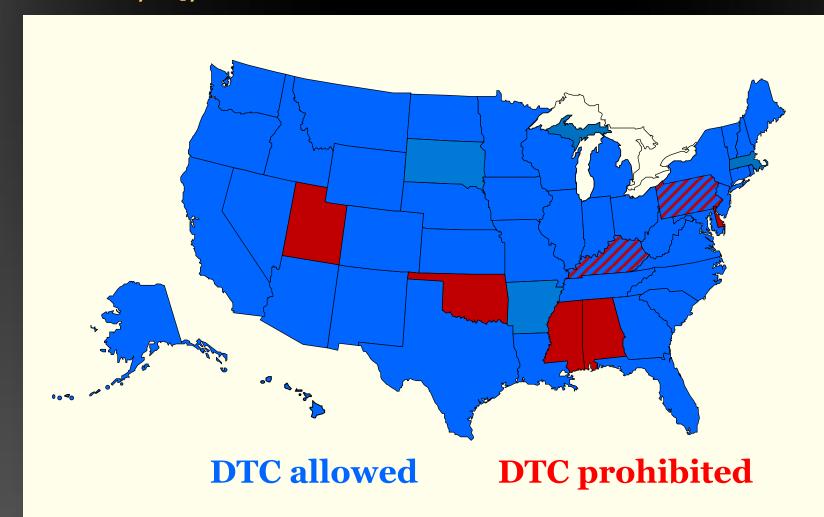


We will continue working with local interests to clarify the sales tax on freight issue that is currently being litigated.



Direct-to-Consumer Shipping by Wineries (as of 1/14/16)







What's Next for State DTC?

- Continue to try and open new states and protect existing states
- Continue to "improve" existing shipping laws:
- remove on-site and capacity caps
- remove onerous paperwork requirements
- » simplify reporting and frequency of reports
- » streamline permitting and registration procedures
- Work with carriers and states to insure reporting procedures work

Reminder – Federal On-Site States



- Delaware no limit (excise taxes due by consumer)
- Oklahoma up to 1 liter per visit
- South Dakota up to 1 gallon per visit

Wineries should keep documentation of onsite transaction!





States with NO DTC shipping (other than 3-tier) as of 1/15/16



- Alabama (other than ABC store delivery)
- Kentucky (no carriers)
- Mississippi
- Pennsylvania (other than PA farm winery licensees)
- Utah













State Relations Regions

