



WEST VIRGINIA SECRETARY OF STATE

MAC WARNER

ADMINISTRATIVE LAW DIVISION

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Office of West Virginia
Secretary Of State

NOTICE OF TECHNICAL AMENDMENT

AGENCY: Alcohol Beverage Control Commission TITLE-SERIES: 175-10

RULE TYPE: Legislative

RULE NAME: Distilleries, Mini-Distilleries, and Micro-Distilleries

CITE STATUTORY AUTHORITY: W.Va. Code §60-1-5, §60-1-5b, §60-1-5d, §60-2-11, §60-2-15, §60-2-16, §60-4-2, §60-4-3, §60-4-3a, §60-4-15, §60-6-1, and §60-6-2

LIST WITH DETAIL EACH SPECIFIC CHANGE MADE TO THE RULE AND WHERE IT CAN BE FOUND:

Per SB 517, extending sunset date to August 1.

FILING DATE: 06/01/2021

EFFECTIVE DATE: 04/15/2021

BY CHOOSING 'YES', I ATTEST THAT THE PREVIOUS STATEMENT IS TRUE AND CORRECT.

Yes

Allen R Prunty -- By my signature, I certify that I am the person authorized to file legislative rules, in accordance with West Virginia Code §29A-3-11 and §39A-3-2.

TITLE 175
LEGISLATIVE RULE
ALCOHOL BEVERAGE CONTROL COMMISSION

SERIES 10
DISTILLERIES, MINI-DISTILLERIES AND MICRO-DISTILLERIES

§175-10-1. General.

1.1. Scope. -- This rule provides the procedure whereby a distillery, mini-distillery, or micro-distillery located in the State of West Virginia shall comply with bailment procedures, sampling, retail operations, production, retail sales, and reporting of activities and licensing broker representatives.

1.2. Authority. -- W.Va. Code §60-1-5, §60-1-5b, §60-1-5d, §60-2-11, §60-2-15, §60-2-16, §60-4-2, §60-4-3, §60-4-3a, §60-4-15, §60-6-1, and §60-6-2.

1.3. Filing Date. – June 1, 2021.

1.4. Effective Date. – April 15, 2021.

1.5. Sunset Date. – This rule shall terminate and have no further force or effect upon August 1, 2026.

§175-10-2. Definitions.

2.1 The “ABCA” refers to the West Virginia Alcohol Beverage Control Administration or Commission.

2.2. “Alcoholic liquor” or “liquor” means alcohol, beer, fortified wine, and distilled spirits, and any liquid or solid (including powdered alcohol) capable of being used as an alcoholic beverage, but shall not include wine with an alcohol content of 14% or less by volume, nonintoxicating beer, or nonintoxicating beverages.

2.3. “Bailment” for purposes of this rule means a warehousing method whereby the transfer of possession through actual or constructive delivery, but not ownership, to the Commissioner, of alcoholic liquors manufactured at a distillery, mini-distillery, or micro-distillery which is available as bailment inventory for purchase by licensed retail outlets or a distillery, mini-distillery, or micro-distillery with all applicable markups, fees, and taxes as provided by the West Virginia Code and West Virginia Code of State Rules. Alcoholic liquors actually possessed in bailment by the Commissioner are delivered to retail outlets and distilleries, mini-distilleries, and micro-distilleries located in the state of West Virginia.

2.4. “Beer” means any beverage obtained by the fermentation of barley, malt, hops, or any other similar product or substitute and containing more alcohol than that of nonintoxicating beer, including nonintoxicating craft beer, and shall be included in the definition of “liquor” and “alcoholic liquor”, as used in W. Va. Code §11-16-1 *et seq.*: *Provided*, That in Chapter 60 of the West Virginia Code, “beer” shall not be construed to include or embrace nonintoxicating beer or nonintoxicating craft beer.

2.5. “Class A retail license” means a retail license permitting the retail sale of West Virginia product or alcoholic liquors at a freestanding liquor retail outlet, subject to the requirements of the West Virginia Code and Code of State Rules.

2.6. “Class B retail license” means a retail license permitting the sale of West Virginia product or alcoholic liquors at a mixed retail liquor outlet, subject to the requirements of the West Virginia Code and Code of State Rules.

2.7. “Commissioner” refers to the Commissioner of the West Virginia Alcohol Beverage Control Administration or Commission.

2.8. “Distilled spirits” means ethyl alcohol, ethanol, or spirits, including all dilutions and mixtures thereof, from whatever source or by whatever process produced, for beverage use, and shall include, but not be limited to, neutral spirits, whiskey, brandy, rum, gin, vodka, cordials, and liqueurs. In addition to the foregoing, any alcoholic beverage containing more than 24% of alcohol by volume shall be deemed to be distilled spirits.

2.9. “Distillery” or “distiller” means an establishment where alcoholic liquor other than wine and beer is manufactured or in any way prepared and as licensed under Chapter 60 of the West Virginia Code.

2.10. “Fortified wine” means any wine to which brandy or other alcohol has been added. For purposes of this rule, “fortified wine” includes dessert wines which are not fortified but which have an alcohol content by volume of at least 14.1% alcohol by volume and not more than 16% alcohol by volume.

2.11. “Gallon” means the liquid measure equivalent to the volume of 231 cubic inches.

2.12. “Licensed representative” means a manufacturer’s representative licensed by the ABCA, who has paid the fee under the provisions of W. Va. Code §60-4-22 or a broker authorized, in writing, by a manufacturer (including a distillery, mini-distillery, or micro-distillery) to represent the manufacturer’s product in the State of West Virginia and who has paid the same fee to the ABCA. A licensed representative may contact a licensed retailer for the purpose of selling, offering to sell, soliciting, negotiating, or promoting the sale of alcoholic liquor or distilled spirits, or conducting surveys, studies or similar activities pertaining to the sale, distribution or availability of alcoholic liquors or distilled spirits as set forth in this rule.

2.13. “Manufacture” means to distill, rectify, ferment, brew, make, mix, concoct, process, blend, bottle, or fill an original package with any alcoholic liquor or wine.

2.14. “Manufacturer” means any person engaged in the manufacture of any alcoholic liquor or wine, among others and including, but not limited to, a producer, broker, processor, bottler, importer, distiller, rectifier, winemaker, or brewer.

2.15. “Micro-distillery” or “Micro-distiller” means an establishment where in any one year no more than 10,000 gallons of alcoholic liquor is manufactured and no more than 25% of raw agricultural products used in manufacture or production may originate from outside this state. A micro-distillery is limited to selling alcoholic liquors manufactured by it, only in this state, in accordance with the provisions of W. Va. §60-4-3, §60-6-2 and §60-3A-1 *et seq.*, as applicable.

2.16. “Mini-distillery” or “Mini-distiller” means an establishment where in any year no more than 50,000 gallons of alcoholic liquor is manufactured with no less than 25% of raw agricultural products being produced by the owner of the mini-distillery on the licensed premises of that establishment (which is one location or address) physically located in West Virginia, and no more than 25% of raw agricultural products originating from any source outside this state: *Provided*, That the maximum allotted production amounts shall not exceed the annual incremental production limitations provided in W. Va.

Code §60-4-3a: *Provided*, however, That a distillery licensed and operating as of July 8, 2005, that applies for designation by the Commissioner as a mini-distillery, is eligible to be licensed as a mini-distillery without compliance with the requirements for the percentage use of on-premises grown and in-state raw agricultural products.

2.17. “Nonintoxicating beer” means all natural cereal malt beverages or products of the brewing industry commonly referred to as beer, lager beer, ale, and all other mixtures and preparations produced by the brewing industry, including malt coolers and nonintoxicating craft beers with no caffeine infusion or any additives masking or altering the alcohol effect containing at least .5% alcohol by volume, but not more than 11.9% of alcohol by weight, or 15% by volume, whichever is greater. The word “liquor” as used in W. Va. Code §60-1-1 *et seq.*, does not include or embrace nonintoxicating beer nor any of the beverages, products, mixtures, or preparations included within this definition. For the purposes of this definition “infusion” means and includes to artificially add, input or otherwise deliver caffeine or any other additive, not a true flavoring or coloring, that would mask or alter the alcohol effect in nonintoxicating beer.

2.18. “Nonintoxicating craft beer” means any beverage obtained by the natural fermentation of barley, malt, hops, or any other similar product or substitute and containing not less than 0.5% by volume and not more than 15% alcohol by volume or 11.9% alcohol by weight with no caffeine infusion or any additives masking or altering the alcohol effect. For the purposes of this definition “infusion” means and includes to artificially add, input, or otherwise deliver caffeine or any other additive, not a true flavoring or coloring, that would mask or alter the alcohol effect in nonintoxicating craft beer.

2.19. “Proof gallons” means a gallon of liquid at 60 degrees Fahrenheit which contains 50% by volume of ethyl alcohol having a specific gravity of 0.7939 at 60 degrees Fahrenheit referred to water at 60 degrees Fahrenheit as unity, or the alcoholic equivalent thereof.

2.20. “Retail outlet” means a specific location or store where West Virginia product or alcoholic liquors may be lawfully sold by a Class A retail license or Class B retail license in the original package for consumption off the premises.

2.21. “West Virginia product” means all bourbon, brandy, cognac, cordials, gin, grain alcohol, rye, rum, scotch, tequila, vermouth, vodka, whisky, apertifs, pre-mixed cocktails, fortified wines, spirit blends, marsala, sake, sherry, and all other liquor types and classes as approved by the Commissioner and maintained on the ABCA retail liquor product list.

2.22. “Wine” means any alcoholic beverage, including table wine, obtained by the natural fermentation of the natural content of grapes, other fruits, or honey or other agricultural products containing sugar to which no alcohol has been added. The term wine does not include fortified wine, nonintoxicating beer or nonintoxicating craft beer. For purposes of this rule, “wine” includes wine coolers and similar beverages containing not less than 0.5% nor more than 7% alcohol by volume. (See subsection 2.1. for alcohol content percentage).

2.23. “Year” for purposes of gallons produced and sold shall mean a calendar year.

§175-10-3. Bailment Policy and Procedures – Actual Bailment and Constructive Bailment.

3.1. The Commissioner must take actual or constructive possession through bailment of all alcoholic liquor manufactured for sale by every distillery, mini-distillery, or micro-distillery located in the state of West Virginia. The distillery, mini-distillery, or micro-distillery must follow the requirements for listing alcoholic liquors with the Commissioner as a part of the West Virginia Product list, as specified in the West Virginia Code and in 175 CSR 1, 175 CSR 5, and 175 CSR 6.

3.2. Actual bailment must be utilized for all bailment orders and purchases to retail outlets for a distillery's, mini-distillery's, or micro-distillery's liquor products.

3.2.a. Actual bailment shall apply the wholesale markup fee set by the Commissioner and all applicable bailment, delivery, handling, and other associated fees and taxes to the distillery, mini-distillery, or micro-distillery's liquor products as set forth in the West Virginia Code and 175 CSR 1, 175 CSR 5, and 175 CSR 6.

3.2.b. Actual bailment shall require the distillery, mini-distillery, or micro-distillery to comply with all applicable requirements in the West Virginia Code and West Virginia Code of State Rules.

3.3. Constructive bailment may be utilized by distilleries, mini-distilleries, and micro-distilleries located in the state of West Virginia whereby their alcoholic liquor products actually stay at the licensed premises of the distillery, mini-distillery, or micro-distillery and various forms are completed to account for production, volume, retail sales, sample bottle retail purchases, markups, fees, taxes, and any other information required by the Commissioner. Alcoholic liquors maintained in constructive bailment at the licensed distillery, mini-distillery, or micro-distillery may only be used for serving free complimentary samples of its alcoholic liquor products for on-premise consumption and for retail sales for off-premise personal consumption.

3.3.a. Alcoholic liquor products manufactured at a distillery, mini-distillery, or micro-distillery used for serving on-premises free complimentary samples of its alcoholic liquor products must be reported on a form provided by the Commissioner which will be used to calculate the amount paid by the distillery, mini-distillery, or micro-distillery for purchasing the alcoholic liquor product used for free complimentary sampling through constructive bailment. The amount paid to the Commissioner for cases/bottles used by a distillery, mini-distillery, or micro-distillery shall be the same as paid by a retail outlet with the wholesale markup fee set by the Commissioner, bailment fees and delivery fees included.

3.3.b. Alcoholic liquor products manufactured at a distillery, mini-distillery, or micro-distillery used for retail sales of its alcoholic liquors at the licensed distillery, mini-distillery, or micro-distillery's premises for off-premises personal consumption only must be reported monthly on a form provided by the Commissioner which will be used to calculate the amount paid by the distillery, mini-distillery, or micro-distillery for purchasing the alcoholic liquor product used for these retail sales through constructive bailment. The amount paid to the Commissioner for cases/bottles used by a distillery, mini-distillery, or micro-distillery for retail sales to consumers for off-premises consumption shall include a 5% wholesale markup fee and a \$.80 per case bailment fee.

3.3.c. A distillery, mini-distillery, or micro-distillery's alcoholic liquors used for sampling at the distillery, mini-distillery, or micro-distillery's licensed premises and used for retail sales of its alcoholic liquors at the licensed distillery, mini-distillery, or micro-distillery's premises for off-premises personal consumption only must be purchased from the Commissioner but may be constructively delivered to the Commissioner and remain on the distillery, mini-distillery, or micro-distillery's licensed premises without actual delivery to the Commissioner.

3.3.d. A distillery, mini-distillery, or micro-distillery electing to use constructive bailment shall report all production to the Commissioner, identifying, the amount of alcoholic liquor to remain on premises for purchase by the distillery, mini-distillery, or micro-distillery for on-premises free complimentary sampling and also purchased for retail sales to consumers for off-premises consumption. Note, barrel sales by a distillery, mini-distillery, or micro-distillery may not be conducted through constructive bailment and must follow the ABCA Private Barrel Selection Policy.

§175-10-4. On-Premises Free Complimentary Sampling; Retail Sales for off-premises personal consumption.

4.1. Free complimentary samples of alcoholic liquor manufactured at the distillery, mini-distillery, or micro-distillery's licensed premises may not exceed the moderate quantities of three, on ounce servings of liquor, per customer, per day. A distillery, mini-distillery, or micro-distillery shall not operate a bar or sell, provide, or furnish other liquor, wine, beer, nonintoxicating beer, or nonintoxicating craft beer and shall not be licensed as a private club, private wine restaurant, tavern, or any other license permitting on-premises consumption, except for free-complimentary samples.

4.2. No person while on the premises of any distillery, mini-distillery, or micro-distillery shall break the seal on any package of alcoholic liquor, other than the licensee, for the limited purpose of on-premises sampling.

4.3. Prior to permitting any on-premises liquor sampling, a distillery, mini-distillery, or micro-distillery shall verify that each person being served, furnished, or consuming samples are 21 years of age or over and are not noticeably or visibly intoxicated at any point during the consumption of on-premises samples.

4.4. The retail price charged by a distillery, mini-distillery, or micro-distillery for off-premises retail sales of alcoholic liquor manufactured at the distillery, mini-distillery, or micro-distillery may not be less than 110% of the wholesale cost of the product as contained in the Commissioner's Wholesale Spirits Catalog which sets the uniform price (in accordance with W. Va. Code §60-3A-17) to a retailer.

4.5. Retail sales of alcoholic liquor manufactured at the distillery, mini-distillery, or micro-distillery are for off-premises personal consumption by the purchaser and resale by the purchaser is prohibited.

4.6. Free complimentary samples consist of the alcoholic liquor only, and samples shall not include mixers or be sampled, advertised, or marketed as mixed alcoholic drinks.

4.7. Alcoholic liquor samples must all be free and complimentary and shall not be sold by the distillery, mini-distillery, or micro-distillery.

§175-10-5. Market zone fee payment and taxes.

5.1. Each distillery, mini-distillery, or micro-distillery shall submit to the Commissioner 2% of the gross sales price of each retail liquor sale for the value of all sales at the distillery or the mini-distillery each month and the sales, information, and calculation shall be submitted to the Commissioner on a form provided by him or her. Note, barrel sales are not permitted at any distillery, mini-distillery or micro-distillery's licensed premises and must be completed through actual bailment in accordance with the ABCA Private Barrel Selection Policy.

5.1.a. The market zone fee payment shall be collected by the Commissioner and distributed, at least quarterly, to each market zone retail outlet located in the distillery, mini-distillery, or micro-distillery's market zone, proportionate to each market zone retail outlet's annual gross prior year's pretax value sales.

5.1.b. The maximum amount of the market zone fee payments made by a distillery, mini-distillery, or micro-distillery is \$15,000 per annum.

5.2. Alcoholic liquors sold at retail for off-premises personal consumption by a distillery, mini-distillery, or micro-distillery are subject to a 6%, 6.5%, or 7% retail sales tax, as applicable, and a 5% tax for the benefit of a municipality or county, as provided in W. Va. Code §60-3-9d and W. Va. Code §60-3A-21.

§175-10-6. Licensing.

6.1. Licenses are issued on an annual basis, valid January 1 to December 31 of the year for which they are issued and must be displayed on the licensed premises in a prominent location.

6.2. The license fee for a distillery license is \$1,500.00, a mini-distillery license fee is \$50.00, a micro-distillery license fee is \$750 and a licensed representative (or broker) license fee is \$100 per distillery, mini-distillery, micro-distillery or manufacturer for the license period and may not be pro-rated.

6.3. A licensed distillery, mini-distillery, or micro-distillery located in the state of West Virginia will be assigned a limited retail outlet number to account for limited retail sales for off-premises personal use and consumption of only its own alcoholic liquors manufactured on the licensed premises.

6.4. No more than one distillery, mini-distillery, or micro-distillery license may be issued to a single person or entity and no person may hold any combination of a distillery, a mini-distillery, or a micro-distillery license.

6.5. A distillery, mini-distillery, or micro-distillery shall not be licensed as a private club, private wine restaurant, or tavern.

6.6. Following receipt of a completed application for a distillery, mini-distillery, micro-distillery, or a representative's/broker's license containing additional or supplemental information as the Commissioner may require, the Commissioner may conduct an investigation of an applicant to determine whether the applicant is qualified to receive a distillery, mini-distillery, micro-distillery, or representative/broker's license. The Commissioner may request any additional information necessary to review an application.

6.6.a. The Commissioner will conduct background investigations for the purpose of determining whether an applicant has been charged with, indicted for, or convicted of a crime that may have bearing upon the applicant's fitness to hold a license. For purposes of this paragraph, "background investigation" means a security, criminal, and credit investigation of an applicant who has applied for the issuance or renewal of a license. The applicant will submit a West Virginia Alcohol Beverage Control Administration Release of Information and Waiver of Confidentiality of Records Form for this purpose. The applicant will submit a full set of fingerprints to facilitate a criminal background check and the Commissioner will request the state police or its designee to submit the fingerprints and identifying information to the Federal Bureau of Investigation for a national criminal history record check. The results of the fingerprint check will be returned to the ABCA.

6.6.b. The applicant will reimburse the West Virginia Alcohol Beverage Control Commission for all fees or charges that are incurred by the West Virginia Alcohol Beverage Control Commission for a background investigation undertaken pursuant to this subsection.

6.6.c. The applicant must verify that he or she is a United States citizen of good moral character and, if a naturalized citizen, when and where naturalized; and, if a corporation organized and authorized to do business under the laws of West Virginia, when and where incorporated, with the name and address of each officer; that each officer is a citizen of the United States, and a person of good moral character; and if a firm, association, partnership, or limited partnership, that each member is a citizen of

the United States and, if a naturalized citizen, when and where naturalized, each of whom must sign the application.

6.6.d. The Commissioner, after initial examination and evaluation of the application may determine that an Initial Inspection Report is warranted and, accordingly, have one made by a staff person using the "Initial Inspection Report".

6.6.e. Upon completion of any investigation of an applicant, the Commissioner shall inform such applicant, in writing, whether the application has been approved or denied.

6.7. No distillery, mini-distillery, or micro-distillery may be located within the immediate vicinity of a school or church. Immediate vicinity shall mean 100 feet as measured along the streets or street from front door to front door.

6.8. A distillery, mini-distillery, micro-distillery, or representative/broker applicant shall not falsify, make material misrepresentations, or omit any material facts in its application for licensure. Such actions may be considered by the Commissioner as additional grounds for determining an unsuitable person or applicant.

6.9. A distillery, mini-distillery, or micro-distillery shall provide all federal tax stamp, federal licensure approval, and federal registrations to the Commissioner for review.

6.10. A distillery, mini-distillery, or micro-distillery license is not transferable, but with the permission of the Commissioner, the location of the business may be amended.

6.11. Forms for licensing and renewal may be obtained on the ABCA website, accessible at www.abca.wv.gov, or by contacting the offices at 304-356-5500.

6.12. The Commissioner shall refuse to issue a distillery, mini-distillery, micro-distillery or representative/broker license if he or she finds that: (a) the applicant is not a suitable person; (b) the place to be occupied by the applicant is not a suitable place; or (c) a sufficient number of licenses have already been issued in the area where the applicant proposes to locate its premises.

§175-10-7. Reports.

7.1. The distillery, mini-distillery, or micro-distillery located in the state of West Virginia shall report monthly to the Commissioner the total retail sales of alcoholic liquors sold at the licensed premises.

7.1.1. Total retail sales information shall be submitted on forms provided by the Commissioner or in a manner approved by the Commissioner.

7.1.2. The distillery, mini-distillery, or micro-distillery shall submit to the Commissioner, with this report, 2% of the total retail liquor sales at the distillery, mini-distillery, or micro-distillery each month.

7.1.3. Total gross sales reports and payment of the 2% of the total retail liquor sales shall be submitted by the distillery, mini-distillery, or micro-distillery to the Commissioner on or before the 15th day of the month following the month for which the report is made.

7.2. The distillery, mini-distillery, or micro-distillery shall report monthly to the Commissioner the total gallons of alcoholic liquor produced at the distillery, mini-distillery, or micro-distillery. For the purpose of this report gallons will mean proof gallons.

7.2.1. Total production information shall be submitted on forms provided by the Commissioner or in a manner approved by the Commissioner. The distillery, mini-distillery, or micro-distillery may provide a true copy of the Monthly Report of Processing Operations filed with the Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms (ATF F 5110.28), in lieu of the Commissioner's report.

7.2.2. Total production information shall be submitted by the distillery, mini-distillery, or micro-distillery to the Commissioner on or before the 15th day of the month following the month for which the report is made.

7.3. All distilleries, mini-distilleries and micro-distilleries must annually complete and attest in Form ABCA-AFF-6-2020 (or any form that replaces that form, and as modified) as to the estimated gallons produced and other information required on the form.

7.4. A distillery, mini-distillery, or micro-distillery shall maintain its records for all productions and sales and all reports provided to the Commissioner.

§175-10-8. Informational Signs.

8.1. Any distillery, mini-distillery, or micro-distillery conducting tours, on-premises free complimentary samples, and off-premises retail sales shall post notices to the public related to the possible danger of birth defects which may result from the consumption of alcohol during pregnancy which shall be displayed in plain view at the main entrance to areas where alcohol is sold for off-premises consumption and tasting areas. This form is available on the Commissioner's website, www.abca.wv.gov.

8.2. Any distillery, mini-distillery, or micro-distillery conducting tours, on-premises free complimentary samples, and off-premises retail sales shall post a blood-alcohol chart, provided by the Commissioner, which shall be posted in an open and prominent place within the distillery, mini-distillery, or micro-distillery. This chart is available on the Commissioner's website, www.abca.wv.gov.

8.3. Any advertisements utilized by a distillery, mini-distillery, or micro-distillery shall not encourage intemperance or underage consumption.

§175-10-9. Days and hours distillery, mini-distillery, or micro-distillery may conduct off-premises retail sales for personal consumption and serve on-premises free complimentary samples.

9.1. A distillery, mini-distillery, or micro-distillery may not sell or offer alcoholic liquors for retail sales for off-premises consumption on Sundays until after 1:00 p.m. A distillery, mini-distillery, or micro-distillery may not provide on-premises free complimentary sampling on Sundays until after 10:00 a.m. *Provided*, That sampling may not begin until 1:00 p.m. in a county that has voted to forbid sales until 1:00 p.m., as provided in W. Va. Code §7-1-3ss. A distillery, mini-distillery, or micro-distillery may not conduct retail sales for off-premises consumption or offer on-premises free complimentary samples on Easter Sunday or Christmas Day.

9.2. A distillery, mini-distillery, or micro-distillery may not sell alcoholic liquors for retail sales for off-premises consumption or offer alcoholic liquors for on-premises free complimentary sampling between the hours of midnight, 12:00 a.m., and 8:00 a.m. on weekdays and Saturdays.

§175-10-10. Limitations.

10.1. No distillery, mini-distillery, or micro-distillery may sell more than 3,000 gallons of product at the distillery, mini-distillery, or micro-distillery's licensed premises during the the initial two years of licensure.

10.2. The distillery, mini-distillery, or micro-distillery may increase sales at the distillery, mini-distillery, or micro-distillery location by 2,000 gallons following the initial 24-month period of licensure and may increase sales at the distillery, mini-distillery, or micro-distillery location each subsequent 24-month period by 2,000 gallons, not to exceed 10,000 gallons a year of total sales at the distillery, mini-distillery, or micro-distillery's location.

10.3. After the initial 2 years, no licensed mini-distillery may produce more than 50,000 gallons per calendar year at the mini-distillery location.

10.4. After the initial 2 years, no licensed micro-distillery may produce more than 10,000 gallons per calendar year at the micro-distillery location.

§175-10-11. Manufacturer, distillery, mini-distillery, and micro-distillery prohibitions.

11.1. Improper inducements. -- Federal and state law prohibit a distillery, mini-distillery, or micro-distillery from providing inducements, directly or indirectly, to any retail outlet to purchase alcoholic liquors from the manufacturer to the exclusion, in whole or in part, of products sold or offered for sale by another manufacturer. Prohibited inducements include:

11.1.a. Acquiring or holding any interest in any license with respect to the retail outlet or any other premises which is owned, occupied, or used in any manner by the licensed retailer or his or her immediate family;

11.1.b. Acquiring any interest in real or personal property which is owned, occupied, or in any manner used by the licensed retailer or his or her immediate family in the conduct of the retail outlet or any other of his or her businesses;

11.1.c. Furnishing, giving, renting, lending, or selling to the licensed retailer or his or her immediate family any equipment, fixtures, exterior signs, supplies, money, services, or other things of value, except that a manufacturer may furnish to a licensed retailer items of nominal value for in-store display or sales purposes for use only within the licensed retail outlet;

11.1.d. Paying or crediting the licensed retailer or his or her immediate family for any advertising, display, or distribution services;

11.1.e. Guaranteeing any loan for the repayment of any financial obligation of the licensed retailer or his or her immediate family; or

11.1.f. Requiring the licensed retailer to take and dispose of a certain quota of any distilled spirits.

11.2. Interest in the retail outlet. -- A distillery, mini-distillery, or micro-distillery may not acquire or hold any interest in any license required to be obtained by the licensed retailer or his or her immediate family, with respect to the retail outlet or any other premises which are owned, occupied, or in any manner used by the licensed retailer or his or her immediate family. This prohibition applies equally to:

11.2.a. The licensed retailer's officers, partners, employees, other representatives, and their immediate family;

11.2.b. Any separate corporation in which the manufacturer or its officers, partners, employees, or other representatives, and their immediate family hold any ownership interests or with which such persons are otherwise affiliated.

11.3. Interest in real or personal property of the licensed retailer.

11.3.a. A distillery, mini-distillery, or micro-distillery may not acquire or hold any interest in real or personal property which is owned, occupied, or in any manner used by the licensed retailer or his or her immediate family in the conduct of the retail outlet or of other businesses of the licensee and his or her immediate family. This prohibition also applies to:

11.3.a.1. Any interest acquired by the distillery, mini-distillery, or micro-distillery's corporate officials, partners, and employees or other representatives, or their immediate family; and

11.3.a.2. To any interest which is acquired by a separate corporation in which the distillery, mini-distillery, or micro-distillery or its officers, partners, employees, or other representatives, or their immediate family hold any ownership interest or in which they are otherwise affiliated.

11.3.b. A distillery, mini-distillery, or micro-distillery may not acquire a mortgage on a licensed retailer's real or personal property or on the real or personal property of the licensed retailer's immediate family.

11.3.c. A distillery, mini-distillery, or micro-distillery may not rent display space or shelf space at a retail outlet.

11.4. Furnishing things of value.

11.4.a. A distillery, mini-distillery, micro-distillery or licensed representative/broker may not furnish, give, rent, or lend to a licensed retailer or his or her immediate family any equipment, fixtures, exterior signs, supplies, money, services, or other things of value. The prohibition does not apply to sales of goods by a distillery, mini-distillery, or micro-distillery to a licensed retailer of goods that are to be resold to the general public and which are not alcoholic liquors so long as the licensed retailer pays the normal sales price for the goods.

11.4.a.1. This prohibition also applies to any similar activity which occurs through a third party, such as a retailer association or display company, where the benefits resulting to the licensed retailer may be considered as providing the licensed retailer with a thing of value without the payment of an appropriate purchase price.

11.4.a.2. This prohibition does not apply to signs and other display-related materials that are of negligible monetary value as long as the distillery, mini-distillery, retailer or licensed representative/broker has prior written approval from the Commissioner.

11.4.b. A distillery, mini-distillery, micro-distillery or licensed representative/broker must sell any equipment, supplies, or fixtures to a licensed retailer at the current market value and may not provide a special price advantage for purchasing from one manufacturer as opposed to another manufacturer.

11.4.c. A distillery, mini-distillery, micro-distillery, or licensed representative/broker may not provide any assistance (financial, legal, administrative, or influential) to a licensed retailer in acquiring the license required to operate a licensed retail outlet.

11.4.d. A distillery, mini-distillery, micro-distillery or licensed representative/broker may not furnish any exterior advertising signs but may provide interior signs to the licensed retailer. The distillery, mini-distillery, or micro-distillery may advertise by billboards which display alcoholic liquors, wine or nonintoxicating beer, but may not identify any licensed retailer in or on the advertisement.

11.4.e. A distillery, mini-distillery, micro-distillery or licensed representative/broker may not furnish things of value to the licensed retailer at less than the normal sale price, such as nonalcoholic mixers and pouring racks which the licensed retailer may market or sell in his or her business.

11.5. Paying for advertising, display, or distribution service. -- A distillery, mini-distillery, micro-distillery or licensed representative/broker may not provide a licensed retailer with free advertisement, exterior display or distribution services, or any similar types of services.

11.6. Quota sales. -- A licensed retailer may not be required to purchase any alcoholic liquors in order to purchase nonalcoholic liquors or other products from a distillery, mini-distillery, or micro-distillery.

11.7. Other requirements and licensed representative/broker requirements:

11.7.a. A distillery, mini-distillery, or micro-distillery or its licensed representative/broker may not touch, disturb, or otherwise interfere with the product or displays of another distillery, mini-distillery, micro-distillery, or manufacturer.

11.7.b. No person except the licensed representative/broker of a distillery, mini-distillery, or micro-distillery may contact a licensed retailer, or any employee thereof, or enter a retail outlet for the purpose of:

11.7.b.1. Selling or offering to sell;

11.7.b.2. Soliciting, negotiating, or promoting the sale of alcoholic liquor or distilled spirits;

11.7.b.3. Conducting a survey, study, or similar activity pertaining to the sale, distribution, or availability of alcoholic liquors or distilled spirits.

11.7.b.4. Observing and providing educational information at a liquor sampling at a freestanding liquor retail outlet.

11.7.b.5. Observing and providing educational information at an ABCA approved event at a private club or at a private fair and festival.

11.7.c. Any person conducting the activities set forth in subsection 11.7.b. shall obtain a representative/broker's license by completing the form provided by the Commissioner and paying a non-refundable fee of \$100 per distillery, mini-distillery, micro-distillery, or manufacturer, as required by W. Va. Code §60-4-22.

11.7.c.1. Any licensed representative/broker who fails to meet the requirements in the West Virginia Code and the West Virginia Code of State Rules, shall be subject to suspension or revocation of its licenses, as determined by the Commissioner.

11.7.c.2. Any licensed representative/broker who is suspended or revoked may request a hearing on any suspension or revocation of its license.

§175-10-12. Advertising.

12.1. General prohibition. -- All advertising of West Virginia product or alcoholic liquor which encourages intemperance, is lewd or obscene, induces minors to purchase, or tends to deceive or misrepresent, is prohibited. Federal law which provides guidelines relative to acceptable and prohibited advertising of alcoholic liquors must be followed.

12.2. Application. -- No person engaged in business as a producer, processor, licensed representative/broker, manufacturer (distillery, mini-distillery, or micro-distillery), bottler, importer, wholesaler, or retailer of alcoholic liquors or wine, directly or indirectly or through an affiliate, may publish or disseminate or cause to be published or disseminated in any billboard, newspaper, magazine or similar publication any advertisement of alcoholic liquors or wine, unless the advertisement is in conformity with this rule. This prohibition does not apply to the publisher of a newspaper, magazine or similar publication or the standardized outdoor advertising company which owns a billboard, unless such publisher or outdoor advertising company is engaged in business as a producer, manufacturer (distillery, mini-distillery, or micro-distillery), bottler, importer, wholesaler, or retailer of alcoholic liquors or wine, directly or indirectly or through an affiliate.

12.3. Mandatory statements.

12.3.a. Responsible advertiser. -- An advertisement for alcoholic liquors shall state the name and address of the producer, manufacturer (distillery, mini-distillery, or micro-distillery), bottler, importer, or wholesaler responsible for its publication.

12.3.b. Class, type, and distinctive designation. -- An advertisement for alcoholic liquors shall contain a conspicuous statement of the class and type or other designation of the product corresponding with the complete designation which appears on the brand label of the product.

12.3.c. Alcoholic content. -- An advertisement shall state the alcoholic content of the product advertised in the manner and form the information appears on the label.

12.3.d. Percentage of neutral spirits and name of commodity. -- An advertisement of distilled spirits (other than cordials, liqueurs, and specialties) produced by blending or rectification, if neutral spirits, shall state the percentage of neutral spirits used and the name of the commodity from which the neutral spirits have been distilled in substantially the manner and form in which the information appears on the labels of the product advertised. An advertisement of neutral spirits or of gin produced by a process of continuous distillation, shall state the name of the commodity from which the neutral spirits or gin have been distilled substantially in the manner and form in which the information appears on the label.

12.3.e. "Line" or "Brand" advertisements. -- If an advertisement that does not mention a specific product but merely refers to a class of distilled spirits such as "Whiskey" or refers to several classes of distilled spirits (such as "Whiskey," "Brandy," "Rum," "Gin," "Liquor," etc.) marketed under a single brand, the only information required by this section (section 12.4) is the name and address of the responsible advertiser.

12.4. Lettering. -- Statements required by this rule to be stated in any written, printed, or graphic advertisement shall appear in lettering or type of a size, kind, and color sufficient to render them both conspicuous and readily legible. In particular:

12.4.a. Required information shall be stated against a contrasting background and in type or lettering that is at least the equivalent of eight point type.

12.4.b. Required information shall be stated as to appear to be a part of the advertisement and shall not be separated in any manner from the remainder of the advertisement.

12.4.c. Where an advertisement relates to more than one product, the required information shall appear in a manner as to clearly indicate the particular products to which it is applicable.

12.4.d. Required information may not be buried or concealed in unrequired descriptive matter or decorative designs.

12.5. Prohibited statements. -- Generally.

12.5.a. Restrictions. -- An advertisement may not contain:

12.5.a.1. Any statement that is false or misleading in any material particular. For example, the reproduction of medals or facsimiles of awards that were not given on a competitive or comparative basis is prohibited;

12.5.a.2. Any statement that is disparaging of a competitor's product. For example, an advertisement may not contain statements such as "Contains no neutral spirits or alcohol" or "This rum will not turn dark in the bottle;"

12.5.a.3. Any statement, design, device, or representation that is obscene, lewd, or indecent;

12.5.a.4. Any statement, design, device, or representation of, or relating to, analyses, standards, or tests, regardless of truth, which is likely to mislead the consumer; for example, an advertisement may not contain a statement such as "Analyzed by the laboratory and found to be pure and free from deleterious ingredients," or "Tested and approved. Signed by the Research Institute";

12.5.a.5. Any statement, design, device, or representation of, or relating to, any guaranty, regardless of truth, that is likely to mislead the consumer. However, nothing in this section prohibits the use of any enforceable guaranty in substantially the following form:

"We will refund the purchase price to the purchaser if he is in any manner dissatisfied with the contents of this package."

(Blank to be filled in with the name of person making guaranty.)

12.5.a.6. Any statement that the product is produced, blended, made, bottled, packed or sold under or in accordance with any authorization, law or regulation of any municipality, county or state, federal or foreign government unless the such statement is required or specifically authorized by the laws or regulations of such government; if a municipality, county, state or federal permit number is stated, the permit number may not be accompanied by any additional statement relating thereto.

12.5.b. Statements inconsistent with labeling. -- An advertisement may not contain any statement concerning a brand or lot of distilled spirits that is inconsistent with any statement on the labeling;

12.5.c. Curative and therapeutic effects. -- An advertisement may not contain any statement, design, or device representing that the use of any distilled spirits has curative or therapeutic effects, if such statement is untrue in any particular or tends to create a misleading impression. For example, advertisements may not contain statements such as "_____ is good for you" or "Conducive to well-being;"

12.5.d. Place of origin. -- An advertisement may not represent that the distilled spirits were manufactured in, or imported from, a place or country other than that of their actual origin, or were produced or processed by one who was not in fact the actual producer.

12.5.e. Flags, seals, coats of arms, crests, and other insignia. -- No advertisement may contain any statement, design, device, or pictorial representation of, or relating to, or capable of being construed as relating to the armed forces of the United States, or of the American Flag, any state flag, or any emblem, seal, insignia, or decoration associated with any such flag or entity. No advertisement may contain any statement, device, design, or pictorial representation of or concerning any flag, seal, coat of arms, crest, or other insignia, likely to falsely lead the consumer to believe that the product has been endorsed, made, or used by, or produced under the supervision of, or in accordance with the specifications of the government, organization, family, or individual with whom such flag, seal, coat of arms, crest, or insignia is associated.

12.6. Prohibited statements. -- Distilled spirits.

12.6.a. Restrictions. -- An advertisement for distilled spirits may not contain:

12.6.a.1. The words "Bond," "Bonded," "Bottled In Bond" "Aged In Bond" or phrases containing these or synonymous terms, unless the words or phrases appear upon the label of the distilled spirits advertised and are stated in the advertisement in the manner and form as they appear upon the label; and

12.6.a.2. Statements of age. -- An advertisement for distilled spirits may not contain any statement, design, or device directly or by implication concerning age or maturity of any brand or lot of distilled spirits unless a statement of age appears on the label of the advertised product. When any statement, design, or device concerning age or maturity is contained in any advertisement, it shall include (in direct conjunction and with substantially equal conspicuousness) all parts of the statement concerning age and percentages, if any, which appear on the label. However, an advertisement for any whiskey or brandy which does not bear a statement of age on the label or an advertisement for rum that is four years or more old may contain general inconspicuous age, maturity, or other similar representations, e.g., "Aged In Wood," "Mellowed In Fine Oak Casks."

§175-10-13. Transportation.

13.1. A distillery or mini-distillery located in the state of West Virginia may sell and ship alcoholic liquors for wholesale sales, which are for re-sale, outside the state of West Virginia, subject to other states' or jurisdictions' requirements. A micro-distillery is not authorized to sell and ship alcoholic liquors for wholesale sales, which are for re-sale, outside the state of West Virginia. A distillery, mini-distillery, or micro-distillery may not ship alcoholic liquors via U. S. mail or another mail or package service.

13.2. Transportation permits. -- Any person, including any common carrier hired by a manufacturer, distillery, mini-distillery, or micro-distillery who transports, for hire, any alcoholic liquors to be sold commercially in quantities in excess of one gallon within, into, or through the State of West Virginia, shall first give a surety bond, approved by the Attorney General as to form and execution, and by the Commissioner as to sufficiency, payable to the State of West Virginia in the penalty of \$1,000.00 on condition that the person will exercise the privileges granted by the permit in conformity with the provisions of the Liquor Control Act and the rules of the Commissioner. A bonded person who defaults on condition of the surety forfeits to the state school fund the sum of \$100.00 for each breach, recoverable by the ABCA upon motion with 10 days' notice in any court having jurisdiction of the parties. Each person transporting alcoholic liquors, in addition to the bond aforesaid, shall pay the Commissioner an

annual fee of \$10.00 for the first permit and \$1.00 for each duplicate permit issued. In the case of motor carriers for hire, a permit issued by the Commissioner under seal showing that the required bond has been given and the fee paid shall accompany the alcoholic liquors at all times during transportation. In the case of air carriers and rail carriers for hire, a permit issued by the Commissioner under seal showing that the required bond has been given and the fee paid shall be filed in the principal office of such carrier in this state. Any person holding a transportation permit who transports any alcoholic liquors in violation of this rule and the West Virginia Code is subject to all penalties available in the code for each violation. Further, any person holding a transportation permit who transports product for an unlicensed distillery, mini-distillery, or micro-distillery and who fails to verify that the distillery, mini-distillery, or micro-distillery is licensed in West Virginia prior to shipment is subject to all penalties available in the West Virginia Code for each violation.

13.3. Any distillery, mini-distillery, or micro-distillery who has a licensed representative/broker who is licensed under W. Va. Code §60-4-22 may, by virtue of his or her license, transport within West Virginia any sample bottles of alcoholic liquors labeled as "SAMPLE" for the brands represented by the licensed representative/broker that are deemed to be transported in connection with the purpose for which such license was granted without a transportation permit issued by the Commissioner.

13.4. A licensed distillery, mini-distillery, or micro-distillery may deliver or, upon picking up alcoholic liquors at the ABCA warehouse, may transport them to the distillery, mini-distillery, or micro-distillery in order to use the alcoholic liquors for either on-premises free complimentary samples or for off-premises retail sales for personal consumption and not for resale. The receipt provided by the ABCA warehouse is the written approval provided by the ABCA.

13.5. All permits provided for in this rule shall be issued for the period of the calendar year, and the fee therefor shall not be prorated.

13.6. A person may transport in this state up to 10 gallons of alcoholic liquors not for resale. Any amount of alcohol to be transported that is in excess of 10 gallons requires prior written authorization of the Commissioner.

§175-10-14. Violations, Penalties and Hearings.

14.1. A distillery, mini-distillery, micro-distillery or their employees, licensed representatives, or brokers may not:

14.1.a. Sell or permit the sale of more than 10 gallons of alcoholic liquors to a person for off-premises personal use and consumption, at one time, without approval of the Commissioner.

14.1.b. Sell, offer to sell, or permit the sale of any alcoholic liquor in other than the original package or container.

14.1.c. Sell, give, or procure, or permit the sale, gift, or procurement of any alcoholic liquor for or to any person under the age of 21 or who is visibly intoxicated.

14.1.d. Permit the consumption of any alcoholic liquors on the distillery, mini-distillery, or micro-distillery's licensed premises by any person, except for free complimentary samples to any person over the age of 21 or who is not visibly intoxicated.

14.1.e. Alter, change or misrepresent or permit the alteration, change or misrepresentation of the quality, quantity, or brand name of any alcoholic liquor.

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14.1.f. Permit any person under age 18 to sell, furnish, or give alcoholic liquor to any other person.

14.1.g. Purchase or otherwise obtain its or any other alcoholic liquors in any manner other than that authorized in the West Virginia Code, West Virginia Code of State Rules, and ABCA policies and procedures.

14.1.h. Permit any person to break the seal on any package or bottle of alcoholic liquor, except for the limited purpose of on-premises free complimentary samples.

14.1.i. Permit any person other than a distillery, mini-distillery, or micro-distillery licensee, or a regular employee thereof, to unpack, shelve, arrange, shift, or otherwise manipulate bottles or other receptacles containing distilled spirits, except for the purpose of purchasing same.

14.1.j. Sell or permit the sale of its alcoholic liquors purchased from the Commissioner, via actual or constructive bailment, at a price which is less than 110% of the wholesale cost of the West Virginia product. For the purposes of determining the minimum price, the distillery, mini-distillery, or micro-distillery shall multiply the Commissioner's wholesale cost of the product contained in the Quarterly Spirits Price List or the ABCA Tradeshow Catalog, available on the ABCA website at www.abca.wv.gov, by 110% (See also 175 CSR 1 and 175 CSR 5).

14.1.k. Sell or permit the sale of its alcoholic liquors through a window at a drive-in or drive-through retail establishment.

14.1.l. Sell or permit the sale of its alcoholic liquors on Sunday before 1:00 p.m., Easter Sunday, and Christmas day or other than during the hours permitted for sale of alcoholic liquors.

14.1.m. As the distillery, mini-distillery, or micro-distillery are not licensed retail liquor outlets, these licensees may not:

14.1.m.1. Offer for sale, sell, or permit the sale of alcoholic liquors to private clubs or other ABCA licensees; and

14.1.m.2. Offer for sale, sell, or permit the sale of alcoholic liquors manufactured by another distillery, mini-distillery, micro-distillery, or other manufacturer.

14.2. Violations of this section, this rule, or Chapter 60 of the West Virginia Code are subject to an assessment by the Commissioner of a civil penalty which shall not be more than \$1,000.00 for each violation by a distillery, mini-distillery, micro-distillery, or their employee or a licensed representative/broker. Each violation shall constitute a separate offense. The Commissioner shall consider the distillery, mini-distillery, or micro-distillery's history of previous violations, the appropriateness of such penalty to the size of such business, the gravity of the violations, and the demonstrated good faith of the distillery, mini-distillery, or micro-distillery charged in attempting to achieve rapid compliance after notification of the violation. Further, violations that necessitate a suspension in the interest of public safety, as determined by the Commissioner, where the public and or patrons' safety is at risk may be conducted immediately by the Commissioner.

14.3. A civil penalty shall be assessed by the Commissioner only after giving at least 10 days' notice to the licensed distillery, mini-distillery, or micro-distillery. Notice shall be in writing, shall state the reason for the proposed civil penalty and the amount, and shall designate a time and place for a hearing where the licensed distillery, mini-distillery, or micro-distillery may show cause why the civil penalty should not be imposed. Notice shall be sent by certified mail to the address for which the licensed distillery, mini-distillery, or micro-distillery was issued. The licensed distillery, mini-distillery, or micro-

distillery may, at the time designated for the hearing, produce evidence in his or her behalf and be represented by counsel.

14.4. The hearing and the administrative procedures prior to, during, and following the hearing are governed by and shall be conducted in accordance with the provisions of W.Va. Code §29A-5-1 *et seq.*

14.5. Any person adversely affected by a final order entered following the hearing has the right of judicial review by the circuit court of Kanawha County or the circuit court in the county where the proposed or licensed premises is located and will or does conduct sales: *Provided*, That in all other respects, such review shall be conducted in the manner provided in Chapter 29A of the West Virginia Code. The petition for the review must be filed with the circuit court within 30 days following entry of the final order issued by the Commissioner. An applicant or licensee obtaining the review is required to pay the costs and fees incident to transcribing, certifying, and transmitting the records pertaining to the matter to circuit court.

14.6. The judgment of the circuit court reviewing the order of the Commissioner is final unless reversed, vacated, or modified on appeal to the Supreme Court of Appeals in accordance with the provisions of W. Va. Code §29A-6-1 *et seq.*

§175-10-15. Revocation, hearing and appeals.

15.1. The Commissioner may revoke a license upon a finding that: (a) the a distillery, mini-distillery, micro-distillery, or licensed representative/broker is not a suitable person or involves unsuitable persons; (b) the place occupied by the distillery, mini-distillery, or micro-distillery is not a suitable place; (c) the distillery, mini-distillery, or micro-distillery has violated a provision of Chapter 60 of the West Virginia Code, this rule, or any rule made by the Commissioner under the authority of Chapter 60 of the Code; or (d) the distillery, mini-distillery, micro-distillery, or licensed representative/broker has failed to comply with the spirit and intent of Chapter 60 of the Code by encouraging intemperance, the unlawful consumption of alcoholic liquors, or otherwise.

15.2. The Commissioner shall give the distillery, mini-distillery, micro-distillery, or licensed representative/broker at least 10 days' notice prior to a revocation. The notice shall be in writing, state the reason for revocation, and designate a time and place when the distillery, mini-distillery, or micro-distillery may show cause why the license should not be revoked. Notice shall be sent by certified mail or other express mail to the current address for which the license was issued. The distillery, mini-distillery, or micro-distillery may, at the time designated for the hearing, produce evidence on his or her behalf and be represented by counsel. On the final revocation of a license or licenses the Commissioner shall immediately take over the inventory stocks of liquors possessed by the distillery, mini-distillery, or micro-distillery, and pay to the licensee the amount paid by him or her to the state for such stocks less the amount necessary to defray the costs incurred by the Commissioner in the revocation proceedings and hearing.

15.3. A final decision of the Commissioner granting or revoking, or refusing to grant or to revoke a license authorized by Chapter 60 of the West Virginia Code, shall be subject to judicial review in the circuit court of Kanawha County or the circuit court in the county where the proposed or licensed premises is located and will or does conduct sales upon the appeal of a distillery, mini-distillery, micro-distillery, licensed representative/broker, or an applicant for a license.