

The Compliance Corner

By Mary Beth Williams

More Changes Afoot

There are a lot of changes going on in some of the primary states to which Virginia Wineries ship their products. Some taxes have gone up, and amazingly, some have gone down. These changes were effective on July 1.

Maryland – Wineries are already shipping to Maryland consumers, and it's a great new market for Virginia wineries. Here's a review of the requirements and privileges for that license.

1. Each winery can ship 18 cases a year to a MD resident (even Montgomery County residents).
2. There will be a \$1000 bond required as part of the application package (and this can be a cash bond rather than surety), and a \$200 annual license fee.
3. The sales tax that will be assessed on direct to consumer sales is 9%.

One issue that wineries have run into is that the MD Comptroller requires that invoices to MD consumers be issued by the identical entity that is named on the license. If your license is issued in the name of ABC Corp dba ABC Winery, your invoices need to say ABC Corp dba ABC Winery. The only exception to this rule is the exclusion of your entity designation at the end. ABC Winery LLC may invoice just as ABC Winery. Save yourself the stress of getting that phone call from the regulators by making sure your invoices meet their requirements up front.

North Carolina – Amazingly, North Carolina has reduced their sales tax rate from 5.75% to 4.75%, so change your invoicing accordingly. We anticipate that we may see an increase in the excise tax rate or license fee to offset some of the revenue lost by this drop in sales tax rate.

Connecticut – The sales tax rate has increased from 6% to 6.35% and the excise tax rate increased 20%.

California – The sales tax rate has decreased from 8.25% to 7.25%.

OTHER UPDATES – **New Jersey's** anticipated Direct to Consumer legislation didn't go through. It was a casualty in the war between NJ wineries and wholesalers. They're hoping to raise the issue again next session. **Pennsylvania** will pass some sort of direct to consumer shipping provisions this session. There are 5 different variations proposed, so we don't know what it will look like yet, but it has across the board support and will happen in some form. Stay tuned for more details.