



**Testimony in Support of House Legislative Draft CK072,  
to Update Minnesota's Direct Wine Shipping Statute**

**MN House Committee on Commerce & Regulatory Reform  
October 27, 2021**

Wine Institute appreciates this opportunity to provide testimony in support of draft bill CK072. Wine Institute is a non-profit trade association representing 1000 California wineries and associate members. California wineries manufacture 85% of all wine produced in the United States.

With the enactment of the state's direct wine shipping law in 2005, Minnesota adult consumers enjoy being able to purchase and have shipped directly to them a limited amount of wine from wineries. This program provides adult consumers with greater product choice and the convenience of home delivery. It has benefited the wine industry both in- and out of the state in reaching a customer base not previously available. Even with the popularity of direct wine shipping, more than 97% of all wine sales still flow through the 3-tier system.

Today, there are 47 states plus the District of Columbia that permit some form of direct to consumer wine shipping. Ninety-seven percent of the US adult population lives within these states.

We support draft CK072 which is the product of negotiations between all tiers of the industry, state legislators and other interested parties to make Minnesota's direct shipping program consistent with the requirements of other successful state direct shipping programs that wineries already must comply with across the country.

CK072 would do the following:

- Require out of state wineries to obtain a license in order to directly ship to adult consumers as well as require payment of state taxes on those shipments.
  - Permit fees help offset, if not cover, the costs associated with issuing the permits and the program's operation.
  - We estimate that the total state revenue resulting from the direct shipper license fees and tax collections would be more than \$4.9 million annually.
- Require that direct ship winery applicants must consent to the jurisdiction of the state government and state courts and maintain records in the event of an audit -- thereby allowing state enforcement of the bill's requirements.
  - In addition to state penalties for violations, there also are serious Federal consequences for a winery that violates a direct shipping statute. Such violations could put a winery at risk of having their Federal basic permit revoked thereby shutting down the winery's operations. This is a huge enforcement hammer to ensure a winery's compliance.

- Require that licensed direct ship wineries verify that the person placing the order is 21 years or older.
- Increase the amount of wine that an adult consumer can have directly shipped from the current 2 cases, which is the most restrictive limit in the country, to 12 cases annually. Due to consumer popularity of direct shipping, most states allow a minimum of 12 cases annually and a number allow 24 cases or more. The increased quantity limit in CK072 benefits the wine industry especially small producers and in-state wineries so they can distribute more of their products to those adult consumers who want to have their wines directly shipped to them.
- Require licensed wineries to report all wine shipped directly to consumers which aids regulators in checking compliance with the state's quantity limit.
- Maintain the current requirement that all shipments be labeled that they contain alcohol and that a signature of someone 21 years or older is required for delivery.
  - Both common carriers, FedEx and UPS, have wine shipping programs that embed these requirements into their automated systems.
- Require common carriers to file reports on the wine shipments delivered so the state can more easily track shipments to ensure that only licensed direct ship wineries are doing them.

All of these elements contained in CK072 provide Minnesota adult wine consumers with greater product choices and the convenience of home delivery while benefitting our state's coffers with millions of dollars in additional tax and fee collections generated from these shipments.

Wine Institute supports a fair and reasonable licensing system for direct wine shipping because it provides for limited, regulated and tax-paid shipments of wine directly to consumers. We believe that proposed House legislation CK072 as currently drafted would provide such a system and respectfully urge you to support it.