

Subject Grapes and wine
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Overview

This bill establishes a Minnesota Grape and Wine Program to promote and develop the Minnesota wine and grape industries. The Minnesota Department of Agriculture (MDA) would administer the program in consultation with a 15-member advisory council. The program would be funded by a portion of state alcohol gross receipts and sales tax revenues.

To this end, H.F. 2168 imposes the gross receipts tax on direct shippers of wine and requires direct shippers to collect and remit sales and use tax. This bill also amends Minnesota's direct shipped wine law that allows a winery to ship up to two cases of wine to a Minnesota resident each year, by requiring direct shippers to obtain a license and imposing certain reporting obligations on them.

Summary

Section	Description
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1	Minnesota Grape and Wine Advisory Council.
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Establishes a Minnesota Grape and Wine Advisory Council to advise the MDA.

Subd. 1. Establishment; membership. Establishes a 15-member council that must include five wine producers, two commercial grape growers, one member from each of several specified organizations and programs (Minnesota Farm Winery Association, Minnesota Grape Growers Association, Explore Minnesota Tourism, Minnesota Grown), along with one MDA staff member, and one member each from the Minnesota Licensed Beverage Association, the Minnesota Municipal Beverage Association, and the Minnesota Cider Guild. Requires staggered 4-year terms and compels the council to meet at least once each year with any member expenses reimbursed by nonstate sources.

Subd. 2. Powers and duties. Requires the council to review applications and recommend projects to receive grants and other forms of financial assistance

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	<p>under the new Minnesota Grape and Wine Program in section 2. Requires the council to make recommendations to MDA regarding the establishment of a program to provide grants or other forms of financial assistance for education and the promotion and development of Minnesota wine and grapes.</p> <p>Subd. 3. Rules. Exempts the commissioner’s duties under this section and section 2 from the rulemaking requirements in the Administrative Procedure Act.</p>
2	<p>Minnesota grape and wine program.</p> <p>Subd. 1. Eligible projects. Establishes project eligibility standards, including the promotion, education, or development of the Minnesota wine industry to stimulate economic development through value-added, sustainable agriculture. Authorizes the council to recommend funding for an extension agent to work with Minnesota grape growers and wineries.</p> <p>Subd. 2. Awarding grants. Directs MDA to administer an account for auditing purposes and, in consultation with the council, to establish additional program criteria, eligibility guidelines, and a competitive project review and selection process. Authorizes multiyear projects with annual MDA evaluations.</p>
3	<p>Minnesota grape and wine account.</p> <p>Establishes a dedicated account in the agricultural fund. Appropriates money in the account to MDA for grants or other forms of financial assistance under section 2, administrative costs (up to 6.5 percent of annual account deposits), and to recover the agency’s indirect costs.</p>
4	<p>Definitions.</p> <p>Adds a definition of “direct shipper” to the definitions found in the alcohol gross receipts section. A “direct shipper” is defined as a winery holding the direct shipper license required in section 8 of this bill.</p> <p>Effective date: Effective for sale and purchases made after June 30, 2022.</p>
5	<p>Gross receipts tax imposed.</p> <p>Imposes the alcohol gross receipts tax of 2.5 percent on direct wine shippers. Authorizes direct wine shippers to collect the gross receipts tax from the consumer and exclude the tax from the sales price used to calculate the sales and use tax.</p> <p>Effective date: Effective for sale and purchases made after June 30, 2022.</p>
6	<p>Deposit of revenues.</p>

Section	Description
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Requires the commissioner of revenue to deposit the portion of the alcohol gross receipts tax paid by direct shippers into the grape and wine account each month. For the first 12 months, the monthly amount is an unspecified portion of these receipts. Thereafter, the monthly amount is 1/12 of the annual amount of the total tax estimated to be paid by direct shippers.

Effective date: Effective for sale and purchases made after June 30, 2022.

7 **Deposit of revenues.**

Requires the commissioner of revenue to deposit a portion of the sales tax revenues in the Minnesota grape and wine account in the manner provided in section 6 for the alcohol gross receipts tax.

Effective date: Effective for sale and purchases made after June 30, 2022.

8 **Direct wine shipments; license required.**

Subd. 1. Direct shipper license. Amends Minnesota's direct ship wine law by requiring direct shippers to obtain a license. Licenses are annual, and require an application and fee, a federal wine manufacturing permit, and a Minnesota sales and use tax permit. Applicants must also be current on all state taxes.

Also requires that direct shippers only ship wine as allowed by their federal permit, deems shippers to have consented to state jurisdiction, and prohibits shipments of wine into the state from anyone not holding a direct shipper license.

Subd. 2. Reporting. Requires annual or quarterly reporting by direct shippers detailing shipper information; total liters of wine shipped; and the date, quantity, and purchase price of each shipment and taxes paid.

Subd. 3. Penalties. The direct shipment section of law is reorganized. Subdivision 3 includes conforming changes related to the reorganization.

Effective date: Effective January 1, 2023.



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