

Sixtieth  
Legislative Assembly  
of North Dakota

**SENATE BILL NO. 2135**

Introduced by

Finance and Taxation Committee

(At the request of the Tax Commissioner)

1 A BILL for an Act to create and enact two new subsections to section 5-01-01 of the North  
2 Dakota Century Code, relating to definitions of bottle or can and in bulk for alcoholic beverage  
3 purposes; and to amend and reenact subsection 14 of section 5-01-01, sections 5-01-04,  
4 5-01-08, and 5-01-16, subsections 2, 3, 4, and 5 of section 5-01-17, and sections 5-03-01,  
5 5-03-07, and 5-03-09 of the North Dakota Century Code, relating to the definition of twenty-one  
6 years of age for alcoholic beverage purposes, manufacture of alcoholic beverages, use of  
7 alcoholic beverages, direct sales from out-of-state sellers, sales and tax reporting by domestic  
8 wineries, qualifications for a state wholesale license, imposition of tax on sales by domestic  
9 wineries, microbrew pubs, and direct shippers, and requirements for alcoholic beverage  
10 supplier's licenseholders.

11 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

12 **SECTION 1.** Two new subsections to section 5-01-01 of the North Dakota Century  
13 Code are created and enacted as follows:

14 "Bottle or can" means any container, regardless of the material from which made,  
15 having a capacity equal to or less than one wine gallon for use for the sale of malt  
16 beverages at retail.

17 "In bulk" means in containers having a capacity in excess of one wine gallon for  
18 use for the sale of malt beverages at retail.

19 **SECTION 2. AMENDMENT.** Subsection 14 of section 5-01-01 of the North Dakota  
20 Century Code is amended and reenacted as follows:

21 14. "Twenty-one years of age" means it is after ~~three~~ eight a.m. on the date  
22 twenty-one years after a person's date of birth.

1           **SECTION 3. AMENDMENT.** Section 5-01-04 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3           **5-01-04. Manufacture of alcoholic beverages prohibited - Exceptions.** A person  
4 may manufacture ~~malt~~ alcoholic beverages ~~and wine~~ for personal or family use, and not for  
5 sale, without securing a license if the amount manufactured is within quantities allowed by the  
6 bureau of alcohol, tobacco, firearms and explosives of the United States treasury department.  
7 Any person manufacturing alcoholic beverages within this state in quantities greater than those  
8 permitted by the United States treasury department is guilty of a class A misdemeanor and  
9 property used for same is subject to disposition by the court except any person may establish a  
10 brewery for the manufacture of malt beverages, a winery, or a distillery or other plant for the  
11 distilling, manufacturing, or processing of ~~liquor~~ alcohol within this state if the person has  
12 secured a license from the state tax commissioner. ~~Such~~ This license must be issued on a  
13 calendar-year basis with a fee of five hundred dollars. A first-time license fee may be reduced  
14 twenty-five percent for each full quarter of a year elapsed between the first day of the year for  
15 which the license is issued and the date on which the application for the license is filed with the  
16 state tax commissioner. A license may not be issued for any period for a fee less than one-half  
17 of the annual license fee. ~~Said~~ This license shall allow sale to only licensed wholesalers.

18           **SECTION 4. AMENDMENT.** Section 5-01-08 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20           **5-01-08. Persons under twenty-one years of age prohibited from using alcoholic**  
21 **beverages or entering licensed premises - Penalty.**

- 22           1. Except as permitted in this section and section 5-02-06, a person under twenty-one  
23 years of age may not manufacture or attempt to manufacture, purchase or attempt  
24 to purchase, consume or have recently consumed other than during a religious  
25 service, be under the influence of, be in possession of, or furnish money to any  
26 person for the purchase of an alcoholic beverage.
- 27           2. A person under twenty-one years of age may not enter any licensed premises  
28 where alcoholic beverages are being sold or displayed, except:
- 29           a. A restaurant if accompanied by a parent or legal guardian;  
30           b. In accordance with section 5-02-06;

- c. If the person is an independent contractor or the independent contractor's employee engaged in contract work and is not engaged in selling, dispensing, delivering, or consuming alcoholic beverages;
- d. If the person is a law enforcement officer or other public official who enters the premises in the performance of official duty; or
- e. If the person enters the premises for training, education, or research purposes under the supervision of a person twenty-one or more years of age with prior notification of the local licensing authority.

3. A violation of this section is a class B misdemeanor.

4. The court, under this section, may refer the person to an outpatient addiction facility licensed by the department of human services for evaluation and appropriate counseling or treatment.

5. The offense of consumption occurs in the county of consumption or the county where the offender is arrested.

~~6. For purposes of this section, a person is not twenty-one years of age until eight a.m. on that person's twenty-first birthday.~~

**SECTION 5. AMENDMENT.** Section 5-01-16 of the North Dakota Century Code is amended and reenacted as follows:

**5-01-16. Direct sale from out-of-state seller to consumer - Penalty.**

1. A person in the business of selling alcoholic beverages may not knowingly or intentionally ship, or cause to be shipped, any alcoholic beverage from an out-of-state location directly to a person in this state who is not a wholesaler.
2. A person in the business of transporting goods may not knowingly or intentionally transport any alcoholic beverage, from an out-of-state location of a person in the business of selling alcoholic beverages, directly to a person in this state who is not a wholesaler.
3. For a first violation of subsection 1 or 2, the state tax commissioner shall notify, by certified mail, the violator and order that person to cease and desist any shipment of alcoholic beverages in violation of subsection 1 or 2. The second violation of subsection 1 or 2 is a class A misdemeanor and a third and subsequent violation is a class C felony.

- 1           4.    The alcoholic beverage transported in violation of this section and the vehicle used  
2                in violation of this section are forfeitable property under chapter 29-31.1.
- 3           5.    This section does not apply to a transaction in which an individual twenty-one  
4                years of age or older who imports or transports into this state ~~2.38 gallons [9 liters]~~  
5                ~~or less of liquor or~~ 7.13 gallons [27 liters] or less of wine, two hundred eighty-eight  
6                fluid ounces [8517.18 milliliters] or less of beer, or 2.38 gallons [9 liters] or less of  
7                any other alcoholic beverage per month for personal use and not for resale from a  
8                person holding a valid manufacturer's or retailer's license issued by the state of its  
9                domicile. Every package of alcoholic beverages shipped directly to an individual in  
10              this state must be labeled with conspicuous words "SIGNATURE OF PERSON  
11              AGE 21 OR OLDER REQUIRED FOR DELIVERY". A shipper shall obtain the  
12              signature of an individual twenty-one years of age or older before delivering any  
13              alcoholic beverages shipped directly to an individual in this state. A manufacturer  
14              or retailer selling or shipping alcoholic beverages under this subsection shall obtain  
15              a direct shipping permit from the state tax commissioner and pay an annual fee of  
16              fifty dollars within thirty days of making the first shipment. A direct shipper shall  
17              report and pay the wholesaler and retailer taxes to the state tax commissioner on  
18              all alcoholic beverages sold to residents in this state at the rates set forth in  
19              sections 5-03-07 and ~~57-39.2-03.2~~ 57-39.6-02. ~~A direct shipper shall file reports~~  
20              ~~with the state tax commissioner showing for each shipment the quantity sold, the~~  
21              ~~date shipped, and the amount of tax due the state. A direct shipper is subject to~~  
22              ~~section 5-03-06.~~ The reports are due January fifteenth of the year following the  
23              year sales and shipments were made. When the fifteenth day of January falls on a  
24              Saturday, Sunday, or legal holiday, the due date is the first working day thereafter.  
25              The report must provide such detail and be in format as prescribed by the state tax  
26              commissioner. The state tax commissioner may require that the report be  
27              submitted in an electronic format approved by the state tax commissioner. The  
28              state tax commissioner may initiate and maintain an action in a court of competent  
29              jurisdiction to enjoin a violation of this subsection and may request award of all  
30              costs and attorney's fees incurred by the state incidental to that action. Upon  
31              determination by the state tax commissioner that an illegal sale or shipment of

1           alcoholic beverages has been made to a consumer in this state by either a  
2           manufacturer or retailer of alcoholic beverages, the state tax commissioner may  
3           notify both the bureau of alcohol, tobacco, firearms and explosives of the United  
4           States department of the treasury and the licensing authority for the state in which  
5           the manufacturer or retailer is domiciled that a state law pertaining to the regulation  
6           of alcoholic beverages has been violated and may request those agencies to take  
7           appropriate action.

8           6- ~~In the alternative to subsection 5 and as a means for allowing reciprocal privilege,~~  
9           ~~this section does not apply to and there are not due any state taxes, fees, or other~~  
10          ~~charges for a resident of this state who is at least twenty one years of age who~~  
11          ~~imports or transports into this state from another state wine for personal use if the~~  
12          ~~state from which the wine is sent allows a resident of that state to receive wine~~  
13          ~~from this state without imposition of state taxes, fees, or other charges. A person~~  
14          ~~who receives wine under this subsection may not resell the wine. For tax~~  
15          ~~purposes, receipt of a shipment into this state under this subsection is not a sale in~~  
16          ~~this state. A licensed winery, wholesaler, or retailer in this state may ship wine for~~  
17          ~~personal use and not for resale directly to a resident of another state if the state to~~  
18          ~~which the wine is sent allows residents of this state to receive wine sent from that~~  
19          ~~state without payment of additional state taxes, fees, or other charges. For tax~~  
20          ~~purposes, the shipment to another state under this subsection is a sale in this~~  
21          ~~state. The shipping container of any wine sent into or out of this state under this~~  
22          ~~subsection must be labeled to indicate clearly that the container contains alcoholic~~  
23          ~~beverages and may not be delivered to an individual who is under twenty one~~  
24          ~~years of age. A person in another state may not sell wine for shipment to a person~~  
25          ~~in this state under this subsection in an amount in excess of 7.13 gallons [27 liters]~~  
26          ~~of wine per month. Sales by a winery may include interstate sales and interstate~~  
27          ~~sales through the internet. Annual shipping sales under this section made by a~~  
28          ~~winery in this state are in addition to onpremises tasting room volume totals and~~  
29          ~~are not part of the winery's annual onpremises total limitations.~~

30           **SECTION 6. AMENDMENT.** Subsections 2, 3, 4, and 5 of section 5-01-17 of the North  
31   Dakota Century Code are amended and reenacted as follows:

- 1           2.   A domestic winery may sell, ~~on the winery premises,~~ wine produced by that winery  
2           at on sale or off sale, in retail lots, and not for resale, and may sell or direct ship its  
3           wine to persons inside or outside of the state in a manner consistent with the laws  
4           of the place of the sale or delivery in total quantities not in excess of twenty-five  
5           thousand gallons [94625 liters] in a calendar year; glassware; wine literature and  
6           accessories; and cheese, cheese spreads, and other snack food items. A licensee  
7           may dispense free samples of the wines offered for sale. Subject to local  
8           ordinance, sales at on sale and off sale may be made on Sundays between twelve  
9           noon and twelve midnight. The state tax commissioner may issue special events  
10          permits for not more than twenty days per calendar year to a domestic winery  
11          allowing the winery, subject to local ordinance, to give free samples of its wine and  
12          to sell its wine by the glass or in closed containers, at a designated trade show,  
13          convention, festival, or a similar event approved by the state tax commissioner.  
14          ~~The domestic winery may sell its wine to a liquor wholesaler licensed in this state~~  
15          ~~and may sell or deliver its wine to persons outside the state pursuant to the laws of~~  
16          ~~the place of the sale or delivery.~~ A domestic winery may not engage in any  
17          wholesaling activities. All sales and ~~delivery~~ deliveries of wines to any other retail  
18          licensed premises in this state may be made only through a ~~wholesale liquor~~  
19          ~~license.~~ A domestic winery may obtain a domestic winery license and a retailer  
20          ~~license allowing the on-premises sale of alcoholic beverages at a restaurant owned~~  
21          ~~by the licensee and located on property contiguous to the winery~~ licensed North  
22          Dakota liquor wholesaler. For any month in which a domestic winery has made  
23          sales to a North Dakota wholesaler, that domestic winery shall file a report with the  
24          state tax commissioner no later than the last day of each calendar month reporting  
25          sales made during the preceding calendar month. When the last day of the  
26          calendar month falls on a Saturday, Sunday, or legal holiday, the due date is the  
27          first working day thereafter.
- 28          3.   A domestic winery ~~shall pay to the state the wholesaler taxes and the sales taxes~~  
29          ~~on all wines sold at retail by the licensee as set forth in sections 5-03-07 and~~  
30          ~~57-39.2-03.2~~ may obtain a domestic winery license and a retailer license allowing

1           the onpremises sales of alcoholic beverages at a restaurant owned by the licensee  
2           and located on property contiguous to the winery.

- 3           4. A domestic winery ~~is subject to section 5-03-06 and shall report quarterly or and~~  
4           pay annually to the state tax commissioner the total quantity of wine wholesaler  
5           taxes due on all wines sold by type and the amount of taxes due to the state in the  
6           manner and on the forms prescribed by the state tax commissioner licensee at  
7           retail, including all wines shipped directly to consumers as set forth in  
8           sections 5-03-07 and 57-39.6-02. The annual wholesaler tax reports are due  
9           January fifteenth of the year following the year sales were made. When the  
10           fifteenth of January falls on a Saturday, Sunday, or legal holiday, the due date is  
11           the first working day thereafter. The report must provide such detail and be in a  
12           format as prescribed by the state tax commissioner. The state tax commissioner  
13           may require that the report be submitted in an electronic format approved by the  
14           state tax commissioner.

- 15           5. ~~Except as otherwise specified in this section, all provisions of this title govern the~~  
16           ~~production, sale, possession, and consumption of wine produced by a domestic~~  
17           ~~winery.~~

18           **SECTION 7. AMENDMENT.** Section 5-03-01 of the North Dakota Century Code is  
19           amended and reenacted as follows:

20           **5-03-01. State wholesale license required - Qualifications - Penalty - Exception.**

21           Before any person engages in the sale at wholesale of beer or liquor in this state, that person  
22           shall first procure a license from only the state tax commissioner. ~~A lender who acquires an~~  
23           ~~inventory of beer or liquor by reason of foreclosure of a security interest in the inventory is~~  
24           ~~exempt from obtaining a license before the sale of the inventory. The lender shall offer the~~  
25           ~~inventory for sale first to the wholesaler. A lender who forecloses upon a security interest in~~  
26           ~~beer inventory for which the lender has a security interest shall dispose of the beer inventory~~  
27           ~~within ninety days of obtaining possession of the inventory.~~ The license must only allow sale to  
28           licensed retailers, licensed wholesalers, regular retail outlets on federal military reservations,  
29           and sale for export from a federally bonded warehouse, or a foreign trade zone, to an export  
30           bonded warehouse. No license may be issued unless the applicant files a sworn application,  
31           accompanied by the required fee, showing the following qualifications:

- 1           1.    If the applicant is not a corporation, the applicant must be a citizen of the United  
2               States and a resident of this state and a person of good moral character. If the  
3               applicant is a corporation, the manager of the licensed premises must be a  
4               resident of this state, a citizen of the United States, and a person of good moral  
5               character, and the officers, directors, and stockholders must be citizens of the  
6               United States and persons of good moral character. Corporate applicants must  
7               first be properly registered with the secretary of state.
- 8           2.    The state tax commissioner may require the applicant to set forth other information  
9               necessary to enable the state tax commissioner to determine if a license should be  
10              granted.
- 11          3.    A person is not eligible for such a license unless that person has a warehouse and  
12               office in this state, in which is kept a complete set of records relative to that  
13               person's alcoholic beverage transactions in this state.
- 14          4.    The applicant may not have any financial interest in any retail alcoholic beverage  
15               business.
- 16          5.    The provisions of this section relating to warehousing do not apply to a wholesaler  
17               of beer located in an adjoining state that permits wholesalers licensed in North  
18               Dakota to deliver beer to retailers without warehousing in that state.

19 A lender who acquires an inventory of beer or liquor by reason of a foreclosure of a security  
20 interest in the inventory is exempt from the requirement to obtain a license before the sale of  
21 the inventory. The lender shall offer the inventory for sale first to the wholesaler. A lender who  
22 forecloses upon a security interest in beer inventory for which the lender has a security interest  
23 shall dispose of the beer inventory within ninety days of obtaining possession of the inventory.

24 Any person distributing alcoholic beverages in this state without compliance with this title is  
25 guilty of a class B misdemeanor.

26           **SECTION 8. AMENDMENT.** Section 5-03-07 of the North Dakota Century Code is  
27 amended and reenacted as follows:

28           **5-03-07. Imposition of tax - Rate.** A tax is hereby imposed upon all alcoholic  
29 beverage wholesalers, domestic wineries, microbrew pubs, and direct shippers for the privilege  
30 of doing business in this state. The amount of ~~such~~ this tax shall be determined by the  
31 ~~gallons sold by wholesalers~~ according to the following schedule:



1	Beer in bulk containers - per wine gallon	\$ .08 (.021 per liter)
2	Beer in bottles and cans - per wine gallon	.16 (.042 per liter)
3	Wine containing less than 17% alcohol by	
4	volume - per wine gallon	.50 (.132 per liter)
5	Wine containing 17%-24% alcohol by volume	
6	- per wine gallon	.60 (.159 per liter)
7	Sparkling wine - per wine gallon	1.00 (.264 per liter)
8	Distilled spirits - per wine gallon	2.50 (.66 per liter)
9	Alcohol - per wine gallon	4.05 (1.07 per liter)

10       **SECTION 9. AMENDMENT.** Section 5-03-09 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12       **5-03-09. Supplier license required - Filing requirements - Penalty.**

- 13       1. Before a supplier may engage in the sale or shipment of alcoholic beverages to a  
14 licensed North Dakota wholesaler, that supplier must first procure a supplier  
15 license from the state tax commissioner.
- 16       2. For any month in which a licensed supplier has made sales to a North Dakota  
17 wholesaler, that supplier shall file a report with the state tax commissioner no later  
18 than the ~~thirtieth~~ last day of each calendar month covering alcoholic beverages  
19 sold or shipped to a North Dakota wholesaler during the preceding calendar month.  
20 When the ~~thirtieth~~ last day of the calendar month falls on a Saturday, Sunday, or  
21 legal holiday, the due date is the first working day ~~after the Saturday, Sunday, or~~  
22 ~~legal holiday thereafter~~. The report must provide such detail and be in a format as  
23 prescribed by the state tax commissioner. The state tax commissioner may  
24 require that the report be submitted in an electronic format approved by the state  
25 tax commissioner.
- 26       3. If a supplier fails to file the required report as required by this section, there is  
27 imposed a penalty of twenty-five dollars per month for each calendar month or  
28 fraction of a month during which the delinquency continues beginning with the  
29 month during which the report was due.
- 30       4. A supplier in violation of this section or who furnishes information required by this  
31 section that is false or misleading is guilty of a class A misdemeanor.

1           5.   In addition, whenever the holder of a supplier's license fails to comply with any of  
2           the provisions of this title or any rules or regulations prescribed by the state tax  
3           commissioner and adopted under this title, the state tax commissioner, upon  
4           hearing after giving ten days' notice of the time and place of the hearing to show  
5           cause why the holder's license should not be revoked, may revoke the license.  
6           The state tax commissioner also shall have the power to restore licenses after  
7           such revocation. Whenever the holder of a license has had the license revoked for  
8           failure to comply with the provisions of this title or any rules and regulations  
9           prescribed by the state tax commissioner and adopted under this title, the state tax  
10          commissioner shall charge a fee of one hundred dollars for the reissuance of the  
11          license.