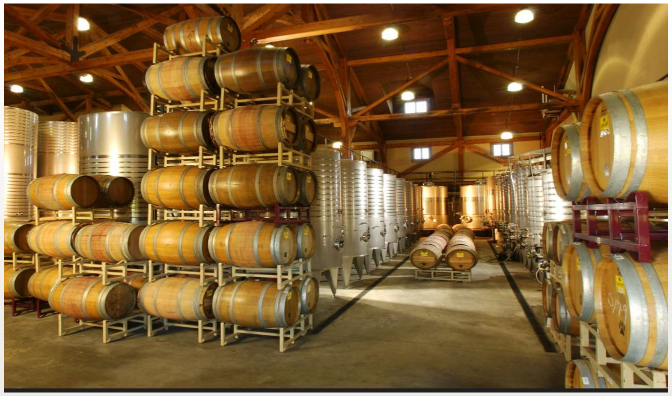
FARM WINERIES, WINERIES, BREWERIES & DISTILLERIES



- VALTA Meeting - August 12, 2025
  - Philip McAleavy - Deputy Business Tax - Loudoun County
    - Al Chediak - Business Tax Auditor - Loudoun County

GROWTH OF WINERIES IN LOUDOUN COUNTY

- First Winery in Loudoun was Willowcroft Winery – 1980
- First wine was a Riesling, barreled in 1984
- Early wineries were primarily manufacturing facilities and tasting rooms
- As competition increased, wineries added products and services to attracted customers
- In 2025 - over 50 wineries in Loudoun
- Loudoun has become a destination for visitors who want to sample a variety of top-quality wines.

BREWERIES, CIDERIES, MEADERIES AND DISTILLERIES

- Loudoun County has a significant and growing craft beer industry with over 30 breweries, some working alongside wineries and others as stand-alone operations. Many breweries offer food and live music to attract visitors.
- 10 Cideries, Distilleries, a one Meadery in Loudoun County.
- Cider is made with fermented fruit
- Mead is made with honey
- Distilleries primarily made whiskeys, clear alcohol , and brandy

WHAT IS TAXABLE?

- Any winery, brewery or distillery is considered to be a manufacturer, unless the wine, beer or spirits made is only as a result of processing (i.e., blending) of wine, beer, or spirits. Certain wineries, breweries and distilleries may be classified as “farm wineries”. However, potential farm wineries must meet the requirements set out in Va. Code §4.1-100 to be classified as a farm winery by the Virginia ABC. A business manufacturing cider or mead may be classified as a winery or farm winery.

WHAT IS TAXABLE?

- "Farm winery" means (i) an establishment or cooperative located in the Commonwealth on land zoned agricultural that has (a) a vineyard, orchard, or similar growing area that produces fruits or other agricultural products used to manufacture the wine of such farm winery, subject to the requirements set forth in § 4.1-219, and (b) facilities for fermenting and bottling wine on the premises where such farm winery manufactures wine that contains not more than 21 percent alcohol by volume…

BUSINESS PROFESSIONAL OCCUPATIONAL LICENSE (BPOL) TAX

- The production of wine, beer and spirits has been determined to be manufacturing. While the gross receipts/gross purchases from the sale of the manufactured wine, beer and spirits would not be taxable if the business manufacturing the product grows the primary ingredients, **<u>other activities conducted by the business for which gross receipts are earned would be taxable</u>**.
- The Code prohibits the imposition of a license tax on receipts from the sale of farm or domestic products grown by the person offering them for sale §58.1-3703(C). Receipts from other activities of a winery, brewery or distillery are taxable for BPOL.

BUSINESS PROFESSIONAL OCCUPATIONAL LICENSE (BPOL) TAX

- A winery, brewery or distillery that is only blending wines, beer and spirits from other growers or producers would NOT be considered a manufacturer and should report gross receipts for retail sales or gross purchases for wholesale sales
- If a winery, brewery, or distillery purchases a substantial portion (i.e., not immaterial or negligible) of the grapes, hops, grains, fruit, or other products used to make wine/beer/spirits, receipts from the sale of its products may not be exempt from BPOL on gross receipts generated from retail sales of the product.
- If a winery, brewery, or distillery is using grapes, hops, grains, fruit or other products grown by the winery, brewery or distillery and is selling products such as a gift basket where the wine/beer/spirits produced by the winery, brewery or distillery is included, the retail cost of the wine/beer/spirits may be excluded from gross receipts reporting.
- If the business is pressing grapes or other fruit for another business, those gross receipts would be reportable as a service.

TAX CLASSIFICATIONS

- Retail Sales
- Personal Services
- Wholesale
- Business Services
- Hotel/Motel

RETAIL SALES

- Taxable Receipts
    - Receipts from the sales of food or merchandise including sales from visiting food truck or vendors
    - Gift Cards - If the taxpayer recognizes the sale of a gift card as revenue at the time of sale, it should be reported as gross receipts
    - Sales of wine, beer, or spirits produced by another manufacturer or made with a substantial portion of grapes, hops, grains, fruit, or other products purchased from/produced by another farm/grower.
- Exempt Receipts
    - If wine, beer, or spirits is made from products that were grown by the seller of the wine, beer, or spirits:
        - Sales of wine, beer, or spirits
        - Wine/beer/spirits tasting fees
        - Wine/beer/spirits club membership fees, if they include wine/beer/spirits with no additional charge (for example: $100 membership fee - bottles of wine sent quarterly for no additional charge)
        - Gift cards redeemed for the purchase of wine, beer, or spirits - if the gift card sale was not reported as gross receipts when the gift card was originally purchased.

PERSONAL SERVICES

- Taxable Receipts
  - Rental of space for weddings, parties, meetings, festivals, etc.
  - Club membership fees if members pay separately for wine, beer, or spirits (for discounts, early product access, etc.)
  - Entrance and tour fees
  - Other activities where a fee is collected
- Exempt Receipts
  - None

WHOLESALE SALES

- Under the Code of Virginia §58.1-3703(C)(4) receipts from sales of manufactured goods sold at wholesale from the place of manufacture are exempt from BPOL tax.
- Taxable Purchases & Receipts
  - Gross purchases of wine, beer or spirits produced by another manufacturer and sold at wholesale to a reseller
- Exempt Purchases
  - Any wine, beer, or spirits manufactured and sold by the winery, brewery, or distillery at wholesale regardless of origin of grapes, hops, grains, fruit, or other products used to produce the wine, beer, or spirits

BUSINESS SERVICES

- Taxable Receipts
  - Grape pressing or services offered to other businesses
  - Corporate Events

HOTEL/MOTEL

- Receipts from bed and breakfast, short-term residential rental, or lodging accommodations providers renting more than seven rooms, Loudoun Ordinance 840.14(g) requires that gross receipts for this activity to be reported the same as a hotel or motel establishment.
- Taxable Receipts
  - Rental receipts for lodging of transients and other included services related to lodging, whether in the same building or group of buildings on the same property/operated by the same business.

BUSINESS PERSONAL PROPERTY TAX (BPPT)

- Taxable Property
  - Wine/beer/spirits storage or cooling equipment, barrels for fermenting, and shelving
  - Furniture, fixtures, and equipment in a residential property that is used for business activities
  - Equipment used in support of retail activities and service activities
  - Furniture, fixtures and equipment used for the lodging of transients in a space that is offered for rent
  - If an entire home is offered for rent, all furniture, fixtures, and equipment is taxable. This includes house or patio furniture, televisions, game room or exercise equipment is reportable unless exempted by state code or local ordinances (i.e., household appliances)
  - If the owner occupies the property and only rooms are rented, then furniture in the bedrooms utilized exclusively for rent is taxable. The property owner should also report furniture or other equipment in other areas of the home that are available for use by the transient
- Exempt Property
  - Equipment used in support of growing and harvesting grapes, hops, grain, fruit, or other farm products are exempt under 860.06 of Loudoun County Codified Ordinances
  - Wine/beer/spirits storage or cooling equipment, barrels, or shelving of a "farm winery"

MACHINERY AND TOOLS (M&T) TAX

- Manufacturing equipment used in the manufacturing process or processing equipment (i.e., blending) of wine, beer, or spirits would be assessed as machinery and tools unless the business is classified as a farm winery by the Virginia ABC.
- Taxable Property
  - Manufacturing equipment used in the manufacturing process
  - Wine, beer, or spirits processing equipment (i.e., blending)
- Exempt Property
  - Manufacturing equipment used in the manufacturing process of a "farm winery"

TRANSIENT OCCUPANCY TAX (TOT)

- Loudoun Ordinance requires operators of lodging establishments to collect 8% of the total charge to the renter and remit it to the county. The tax applies to the rooms utilized for overnight lodging only.

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- Questions or Comments?