Conquering beverage alcohol compliance challenges

Strategies to reduce risk while expanding into new markets



Avalara

Tax compliance done right

Compliance is a key component of your success



As a beverage alcohol seller, you work to keep a lot of balls in the air. Between the time your product is bottled and the moment it reaches the hands and bellies of happy customers, a lot has to happen. When your attention is focused on growing your business, nurturing customer relationships, and getting your product on store shelves and doorsteps, compliance can seem like just another chore. But you can't afford to ignore it.

Getting compliance right provides many opportunities for your business, including the ability to expand into new markets and grow your customer base through direct-to-consumer (DTC) shipping. On the other hand, failing to comply with the myriad federal, state, county, and city regulations can lead to delivery delays, penalties, and even license revocation.

This guide outlines three common challenges experienced by wineries, breweries, distilleries, and other alcohol sellers when selling to buyers and ways to make compliance easier to help your business reduce risk.

Common challenges

1. Shipping verification rules for interstate sales are becoming increasingly complex
2. Verifying age is more difficult for off-site purchases
3. Tax rates and rules can vary drastically across jurisdictions



Cindy operates a distillery in California. She plans to start shipping directly to customers in Arizona and Nebraska. Cindy wants to make sure she's compliant but doesn't know how to keep up with the different state regulations.

Nathan's craft brewery in New York wants to start shipping DTC. The brewery is approved to sell alcohol in Kentucky, but Nathan is concerned about shipping to dry and moist counties there.

1 Shipping verification rules for interstate sales are becoming increasingly complex

Regulations on shipping vary by state, with significant consequences for noncompliant shipments. It's your job to make sure you know where and how you can ship. To better understand the basics of DTC shipping, read **DTC Shipping 101: A survival guide for the beverage alcohol industry.**

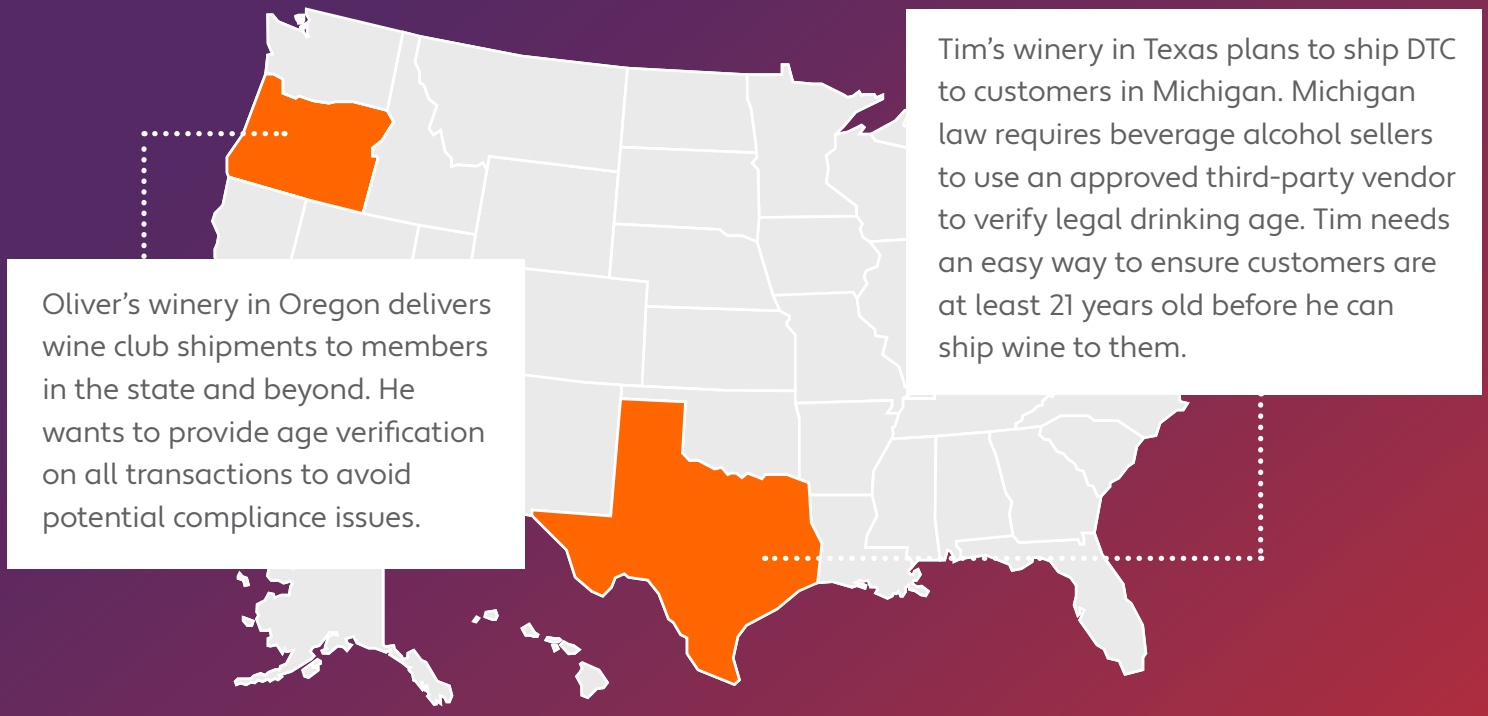


JuneShine

When JuneShine, a maker of hard kombucha, decided to sell directly to consumers nationwide, the company turned to Avalara to help them scale quickly. Using Avalara AvaTax for Beverage Alcohol, JuneShine was able to grow at a faster rate, increase peace of mind through offloading compliance tasks, and improve efficiency with online platform integration.

"The speed-to-market that Avalara enabled was essential for us. Without this solution, we would have gotten there eventually, but not in a timeframe that would meet our goals."

– Matthew Webster, Director of Operations at JuneShine

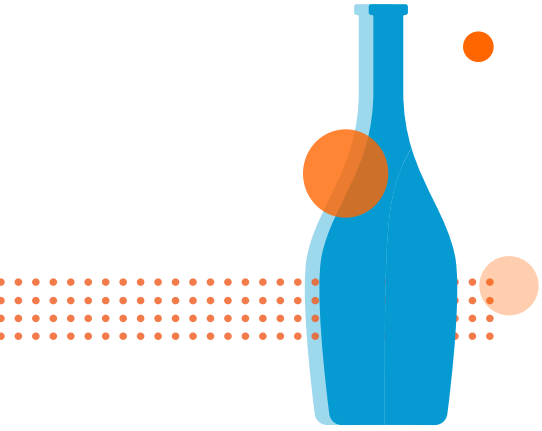


Oliver's winery in Oregon delivers wine club shipments to members in the state and beyond. He wants to provide age verification on all transactions to avoid potential compliance issues.

Tim's winery in Texas plans to ship DTC to customers in Michigan. Michigan law requires beverage alcohol sellers to use an approved third-party vendor to verify legal drinking age. Tim needs an easy way to ensure customers are at least 21 years old before he can ship wine to them.

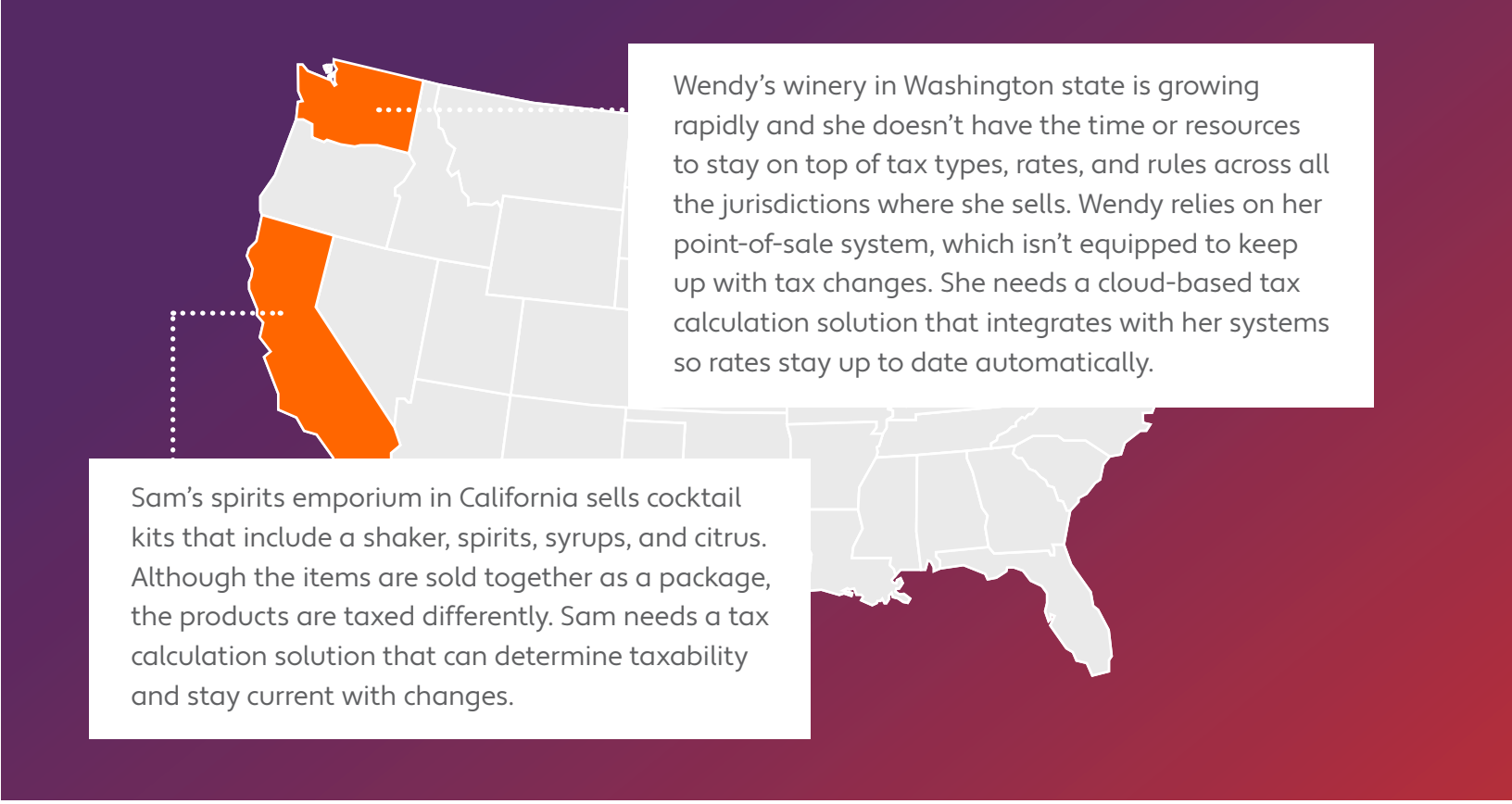
2 Verifying age is more difficult for off-site purchases

Many states require you to formally verify the age of each purchaser and keep records of the verification. Using multiple methods of verification at the same time is considered a best practice and required in many states. For guidance on age verification, read **Getting it right: The 4 steps to age verification for direct shippers.**



Four main age verification methods

- **Age affirmation**
- **Date of birth collection**
- **Age verification of purchaser**
- **Carrier ID inspection**



Wendy's winery in Washington state is growing rapidly and she doesn't have the time or resources to stay on top of tax types, rates, and rules across all the jurisdictions where she sells. Wendy relies on her point-of-sale system, which isn't equipped to keep up with tax changes. She needs a cloud-based tax calculation solution that integrates with her systems so rates stay up to date automatically.

Sam's spirits emporium in California sells cocktail kits that include a shaker, spirits, syrups, and citrus. Although the items are sold together as a package, the products are taxed differently. Sam needs a tax calculation solution that can determine taxability and stay current with changes.

3 Tax rates and rules can vary drastically across jurisdictions

As a seller, you must understand different tax types, including sales tax, markup tax, excise tax, and liquor-by-the-drink tax, that apply in states to which you ship, and you must apply the right rates. Unfortunately, there's little consistency across jurisdictions. Automating compliance can help you determine the right rates. In addition, choosing a single software solution to manage all aspects of compliance can improve accuracy and efficiency. To learn easy steps you can take to improve compliance, read **5 ways to simplify beverage alcohol tax compliance.**

Streamlined Sales Tax Agreement

If you sell into multiple states, you may benefit from the **Streamlined Sales Tax (SST) Agreement**. Since 2021, wineries, breweries, and distilleries have been eligible for this program. Under the SST Agreement, any business may register to receive an array of standard benefits that include simplified registration and more uniform rules and regulations. Businesses that qualify as volunteer sellers can obtain additional benefits, including sales tax calculation and reporting services from a Certified Service Provider, like Avalara, at no cost. Currently, 24 states are members.

Automating compliance helps lift the burden from sellers

One of the best ways to reduce compliance pains and stay in good standing with authorities is by automating compliance.

Avalara AvaTax for Beverage Alcohol



Helps businesses navigate tax challenges. AvaTax for Beverage Alcohol simplifies multi-tax calculation by efficiently assessing regulatory requirements and tax types in multiple jurisdictions while providing one central location for storing beverage alcohol tax compliance information.

Built into AvaTax for Beverage Alcohol, Shipping Verification for Beverage Alcohol helps determine if a transaction is compliant with origin and destination rules at the time of purchase, including license requirements, dry areas, age validation, and volume limits per customer, household, and shipment.



Avalara Shipping Verification for Beverage Alcohol

Avalara Age Verification for Beverage Alcohol



Uses a customer's age by using identification records to confirm legal drinking age. Age Verification for Beverage Alcohol is available as an add-on to AvaTax for Beverage Alcohol.

AvaTax for Beverage Alcohol seamlessly integrates with other **Avalara for Beverage Alcohol** products, including Avalara Licensing for Beverage Alcohol, Avalara Product Registration for Beverage Alcohol, and Avalara Returns for Beverage Alcohol. Together, they provide a complete compliance solution.

Like all Avalara for Beverage Alcohol products, AvaTax for Beverage Alcohol integrates with your existing platforms for billing, subscription and club management, ecommerce, and enterprise resource planning.



Avalara is here to help

Growing your business is your first priority. Don't let compliance hurdles stop you from finding new customers. Simplifying compliance with Avalara reduces risk so you can focus on your day-to-day operations.

Contact our tax automation experts today by calling 877-231-0299.

Tax rates, rules, and regulations change frequently. Although we hope you'll find this information helpful, this guide is for informational purposes only and does not provide legal or tax advice.