

The logo of the Wisconsin Department of Revenue is located in the top right corner. It features a circular emblem with a central figure holding a scale and a sword, surrounded by the text "WISCONSIN DEPARTMENT OF REVENUE".

Alcohol Beverages Enforcement at Wisconsin Department of Revenue

Secretary Richard Chandler

2018 Legislative Council Study Committee on
Alcohol Beverages Enforcement

July 25, 2018



Outline

- Alcohol Beverages Regulation System in Wisconsin
- DOR Roles and Responsibilities
- DOR Organizational Charts
- Duties of DOR Offices and Units
- Alcohol Enforcement in Other States
- Administration of Chapter 125



Alcohol Beverages Regulation System in Wisconsin

- Chapter 125 of the statutes establishes the three-tier system of regulation of alcohol beverage production, distribution and retail sales, for the benefit of the public health and welfare and the state's economic stability
- Goals of the three-tier system, as set forth in Section 125.01:
 - Effective collection of taxes
 - Prevent alcohol sales to minors or intoxicated persons
- Without a statutory exception, all sales shall occur through the three-tier system, from manufacturers to wholesalers to retailers to consumers
- Chapter 125 has three subchapters:
 - I. General Provisions
 - II. Fermented Malt Beverages
 - III. Intoxicating Liquor



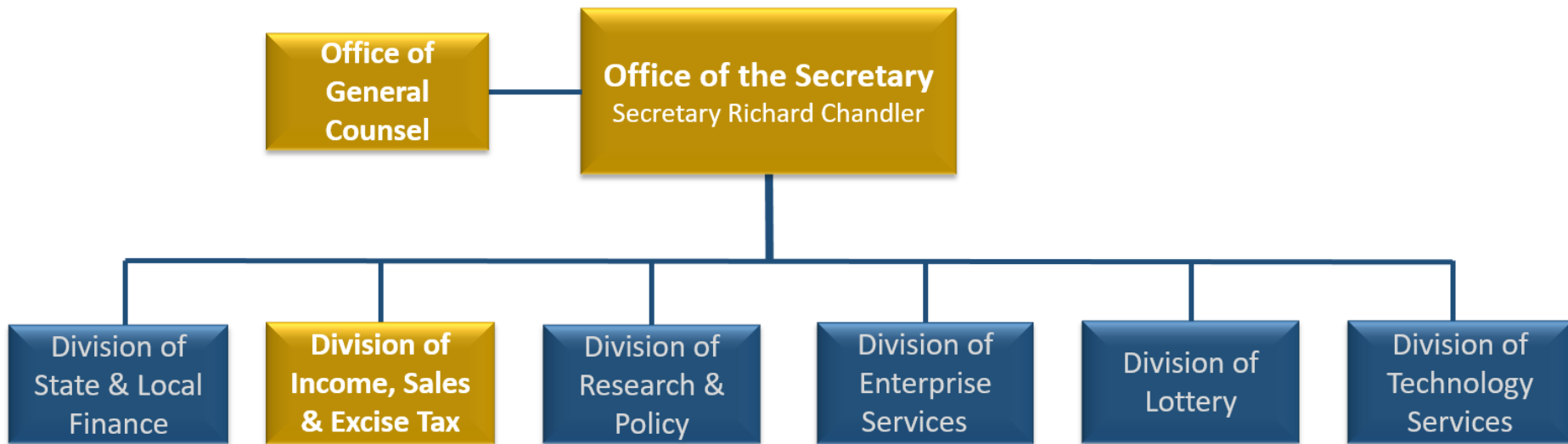
DOR Shares Duties with Local Governments

- Chapter 125 delegates control over issuance of permits to manufacturers and wholesalers to the Department of Revenue
- Chapter 125 delegates control over most issuance of licenses to retailers to municipalities
- DOR and local governments share enforcement duties



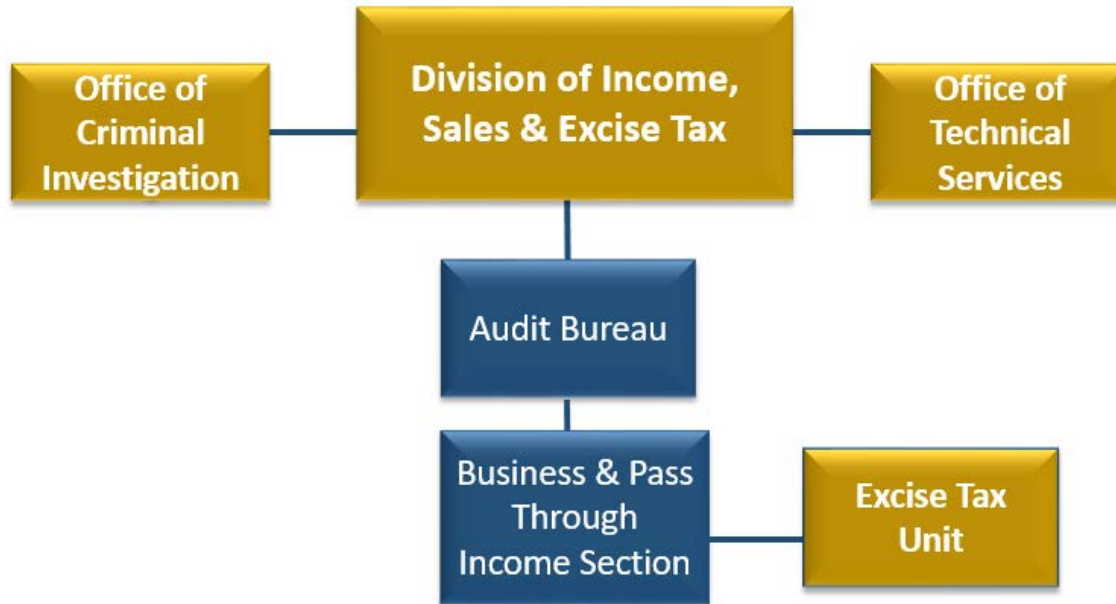
DOR Roles and Responsibilities

- Much like other topic areas and tax types administered by DOR, multiple offices and units work together to enforce and administer the alcohol beverage provisions set forth in Chapter 125
- Each office or unit has specific duties and tasks that they complete such as processing alcohol beverage permit applications, answering questions from municipalities and the industry, investigating complaints, and taking enforcement action
- These offices and units work together to ensure that Chapter 125 is administered in an accurate, consistent and efficient manner



Offices and Divisions with roles and responsibilities related to alcohol and tobacco

- Office of the Secretary
 - Provides oversight and input on matters relating to alcohol and tobacco
- Office of General Counsel
 - Provides legal advice and serves as DOR's legal counsel along with DOJ
- Division of Income, Sales & Excise Tax



Within the Division of Income, Sales & Excise Tax, there are offices and units with roles and responsibilities relating to alcohol and tobacco

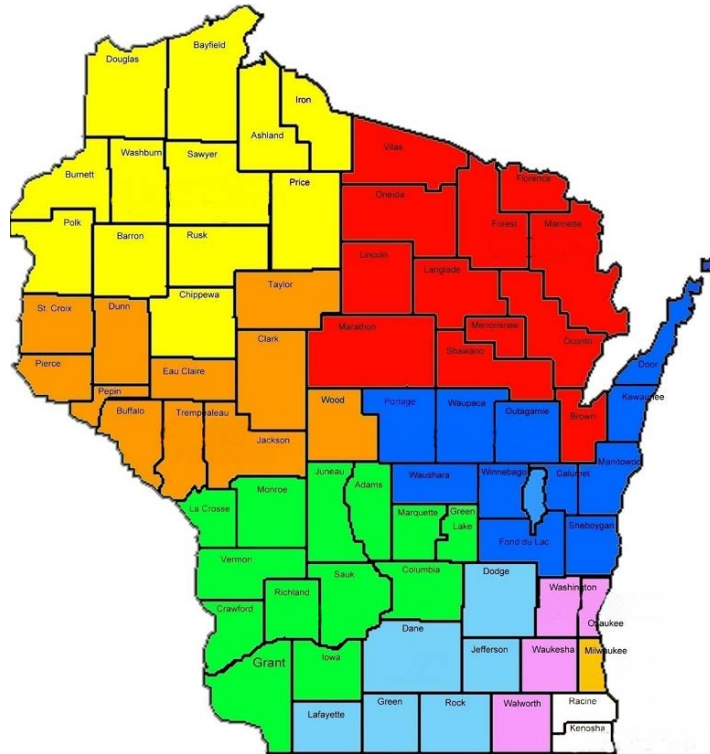
- Office of Criminal Investigation
- Office of Technical Services
- Excise Tax Unit (part of the Audit Bureau)



The Alcohol & Tobacco Enforcement Unit is primarily responsible for enforcement, education, and providing expert assistance to local law enforcement agencies and members of the public

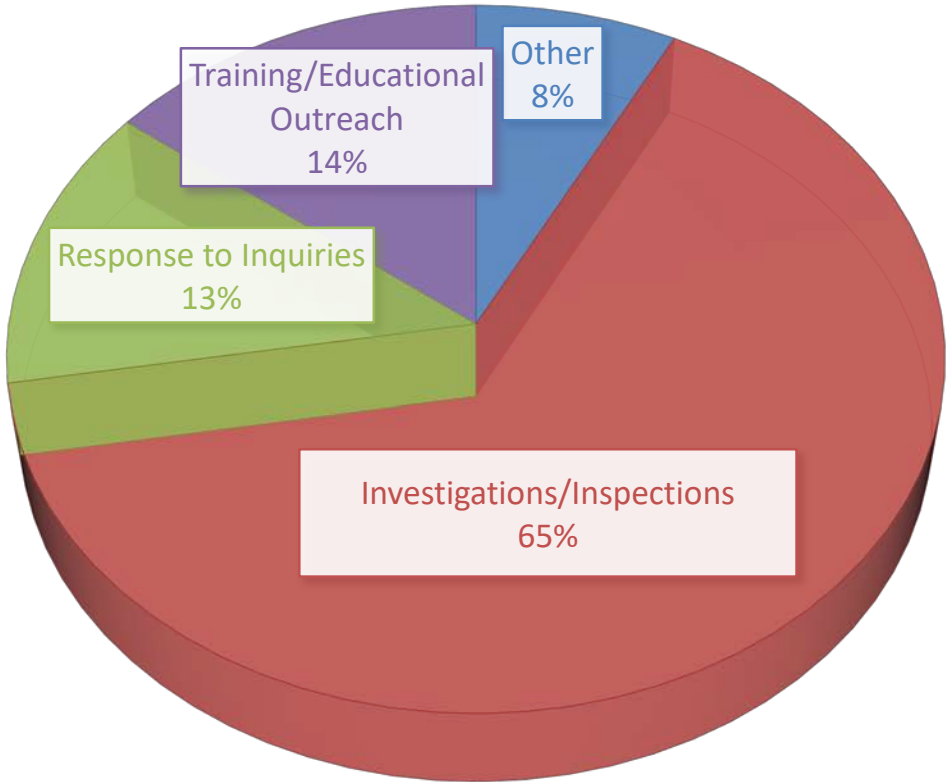
- The Unit includes one Supervisor (Tyler Quam) and nine Excise Tax Agents
- The Unit Supervisor and all Excise Tax Agents are certified law enforcement officers

Current A&T Unit



- Nine Special Agents, with one Special Agent as Supervisor
- No vacancies
- Assigned territories throughout the state
- Agents have extensive education, training and law enforcement experience

TIME SPENT ON ASSIGNED DUTIES FOR AGENTS





A&T Unit Duties - Enforcement

- Responsible for enforcement of alcohol regulations under Chapter 125, including:
 - Inspections/Investigations
 - Criminal referrals
 - Background investigations on permit applicants
 - Search warrants
 - Assist local law enforcement
- Along with enforcement related to alcohol beverages, the A&T Unit is also tasked with enforcing cigarette and tobacco regulations



A&T Unit Duties – Enforcement, Continued

- 806 total investigations were closed in FY18
 - Investigations closed by DOR office location:
 - Eau Claire: 174
 - Appleton: 202
 - Madison: 189
 - Milwaukee: 241
- 161 permit background investigations were completed in FY18
- Six major cigarette/tobacco investigations in FY18 with a total of approximately \$7.4 million in cigarette/tobacco products tax evaded



A&T Unit Duties – Response to Inquiries

- Reply to inquiries from:
 - Industry groups and members
 - Municipal officials
 - Attorneys (municipal and private)
 - Law enforcement agencies
 - Members of the public
 - Legislators
- 90% of inquiries are answered within the same day
- A majority of the inquiries from the industry are handled by A&T Unit



A&T Unit Duties – Educational Outreach

- Presentations
 - At the request of industry groups, municipal clerks, law enforcement agencies, individual industry members, and municipal retailer workshops
 - 37 presentations/outreach events in FY18
- Publications
- DOR website
- Industry notices
- Forms and Instructions



A&T Unit Duties - Training

- Mandatory law enforcement training
- Career/job-related training
- Maintain records of training for DOJ law enforcement certification
- Provide training to other DOR work groups



A&T Unit Duties - Other

- Cigarette and tobacco products permitting and enforcement
- Video gambling
- Other public safety duties
- Security/safety/law enforcement service to agency personnel
- Evidence management
- Required policy maintenance
- Manage DOJ law enforcement certifications
- Open records requests
- HR obligations
- Assist other DOR work units (audit, compliance, etc.)
- Legislative analysis



The Office of Technical Services directs legislative and rule-making activities, coordinates the administration of state tax programs, develops tax forms, publications and administrative rules, leads implementation of law changes, and provides rulings on tax issues

- This office employs expert personnel on all tax types administered by the Income, Sales & Excise Tax Division
- Tom Ourada is our technical specialist on excise tax within this office and provides answers to most questions from local governments about alcohol beverage and tobacco regulations



Office of Technical Services: Excise Tax

Responsibility: Administration of Alcohol Beverage Taxes, Cigarette and Tobacco Products Taxes, and Motor Fuel Taxes

Duties:

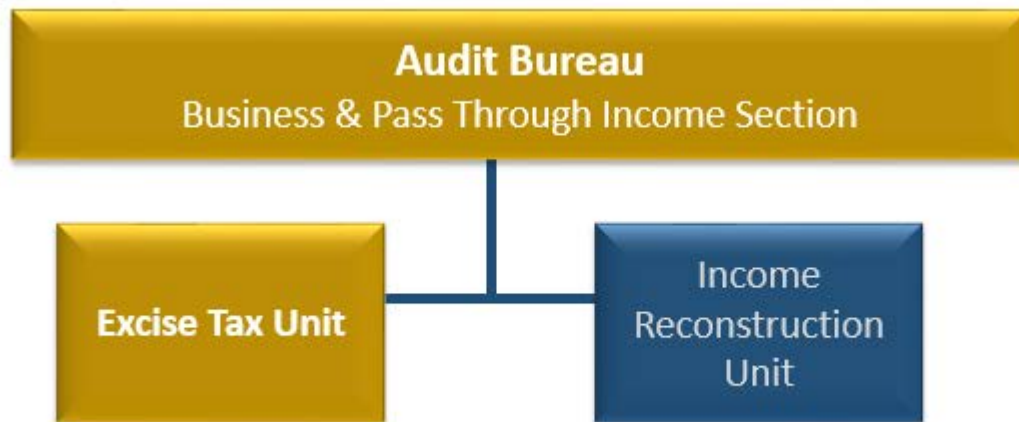
- Implement new tax laws, draft administrative rules, analyze legislative bills, draft legislative proposals
- Respond to inquiries from municipalities, taxpayers, legislators, other state agencies, other state alcohol regulatory agencies
 - There were 1,194 alcohol beverage inquiries in FY18
 - 92% were responded to within the same day



Office of Technical Services: Excise Tax

Duties, Continued:

- Give presentations to municipalities and trade groups (e.g., county tavern leagues, farmers market association, chambers, convention and visitors bureaus, event planners)
- Create and revise tax forms and instructions
- Write and review published guidance (publications, tax bulletins, common questions, news articles, tax releases, private letter rulings)
- Provide training and assistance to other DOR units (e.g., assist with technical inquiries regarding the most complicated questions about Wisconsin statutes)
 - Audit Bureau – Excise Tax Unit
 - Customer Service and Compliance Bureau
 - Office of Criminal Investigation – Alcohol & Tobacco Enforcement Unit



The Excise Tax Unit is responsible for:

- Issuing alcohol beverage, tobacco, and fuel permits, and providing customer service related to permit requirements and excise tax returns and payments
- Auditing alcohol beverage, tobacco and fuel tax reports, returns, and refund claims
- Within this unit there is one supervisor, seven field auditors, and five revenue agents



Who Does DOR Regulate/Permit?

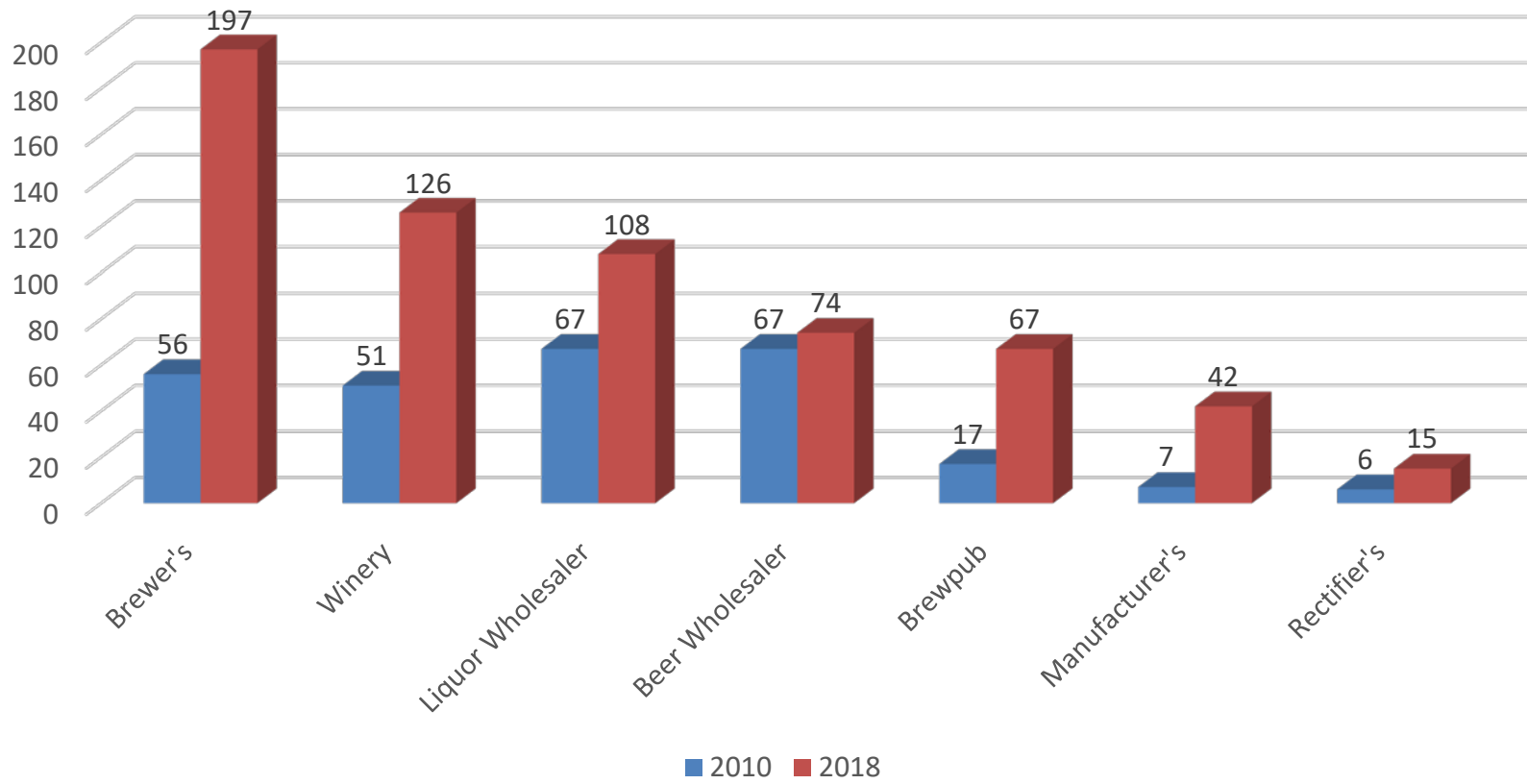
Manufacturers – 3,473

- 197 Breweries and 67 Brewpubs
- 126 Wineries and 1,113 Wine Direct Shippers
- 42 Liquor Manufacturers and 15 Rectifiers
- 292 Beer and 1,621 Liquor Out-of-State Shippers

Wholesalers – 182

- 74 Beer and 108 Liquor Wholesalers

Alcohol Beverage Permits (2010 vs. 2018)



Retail Licenses

- Local governments issue licenses to retailers
- Licenses issued to 17,080 premises in 2017 (typically multiple licenses are issued for a single premises)

License Type	Active Licenses in 2017
“Class A” Liquor (off-premises)	3,182
Class “A” Beer (off-premises)	4,264
“Class B” Liquor (on- or off-premises)	10,831
Class “B” Beer (on- or off-premises)	12,633
“Class C” Wine (on- or off-premises)	886
Total	31,796



Alcohol Enforcement in Other States

- Different states organize alcohol enforcement differently
 - Unit within Department of Revenue
 - Unit within another agency (Commerce, Licensing, Public Safety, Consumer Protection)
 - Units within several agencies
 - Commission within an agency
 - Stand-alone commission



Administration of Chapter 125

- Chapter 125 is more than 80 years old
- Several decades ago the lines between manufacturers, wholesalers and retailers were clear
- In the last 20 years there have been many changes in the industry, including rapid growth in the number of brewpubs, craft breweries and manufacturers
- Statutory changes to Chapter 125 have been made to allow businesses such as brewpubs to operate
- The industry continues to evolve



Administration of Chapter 125

- When issuing permits, providing advice, and taking enforcement action, DOR's job is to apply the statutes as written

Further Information

For further information, please visit:

www.revenue.wi.gov

