#### **CPA**

## Practice **Advisor**

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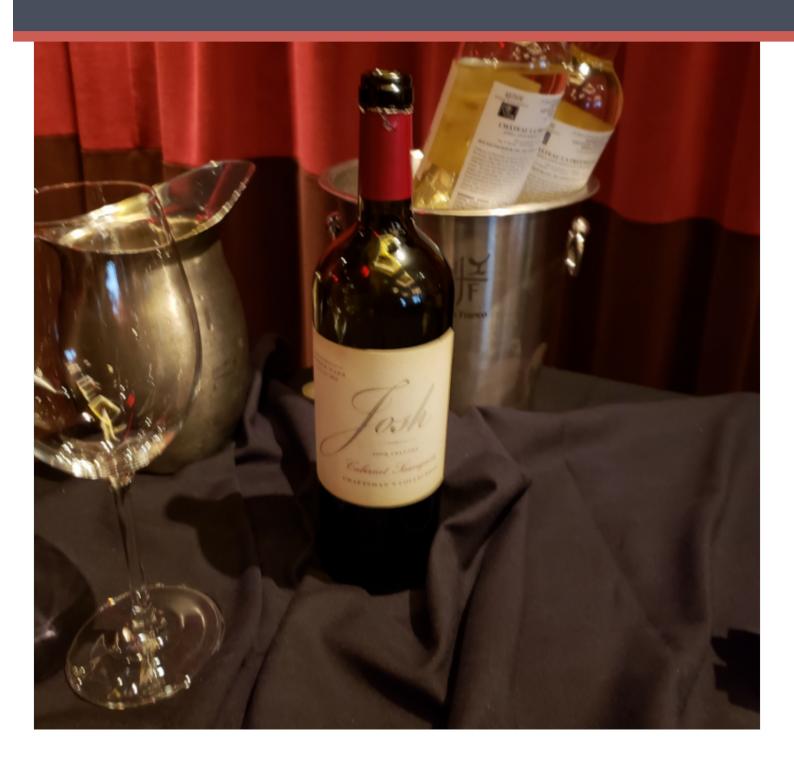
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plastic beverage containers.

Gail Cole • Dec. 18, 2023

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California bottle fee will apply to wine and spirits effective January 1

By Gail Cole.

Many aluminum, glass, and plastic containers in California are subject to refundable

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Senate Bill 353, which was signed into law in October 2023, further clarifies certain requirements.

Read on to learn more about updates to the California Bottle Bill and how they'll impact direct wine shippers, other wine and spirits manufacturers and distributors, and consumers in the state.

#### What is the Bottle Bill?

The Bottle Bill imposes redeemable recycling fees on aluminum, bimetal, glass, and plastic beverage containers. The revenue is used to fund the California Beverage Container Recycling Program (BCRP), subsidize recycling businesses, and expand demand for the recycled materials.

By allowing consumers to collect a California Refund Value (CRV) when they bring qualifying containers to certified recycling containers, the program also encourages Californians to recycle. California is working to achieve an 80% recycling rate for all aluminum, bimetal, glass, and plastic containers sold in the state.

Which beverage containers are subject to the Bottle Bill?

Through December 31, 2023, California's Bottle Bill applies to aluminum, bimetal, glass, and plastic containers for the following beverages:

- All nonalcoholic beverages, except milk and vegetable juices over 16 ounces
  - o Carbonated fruit drinks, soft drinks, or water
  - o Noncarbonated fruit drinks, soft drinks, or water
  - Coffee and tea beverages
  - o 100% fruit juice (less than 46 ounces)
  - o 100% vegetable juice (16 ounces or less)

• Beer and malt beverages

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Kennable containers are exempt from the bottle bill.

#### Which containers are not included in the Bottle Bill?

The California Bottle Bill *does not* apply to containers for the following products:

- Food and nonbeverage containers
- Infant formula
- Medical food
- Milk

### Who pays the Bottle Bill fees?

Manufacturers and distributors of beverages covered by the Bottle Bill are responsible for paying the applicable fees. Thus, they must register with the California Department of Resources Recycling and Recovery (CalRecycle) as a manufacturer, a distributor, or both a manufacturer *and* a distributor.

The Bottle Bill actually imposes two separate fees. Businesses registered as a manufacturer are responsible for paying *processing fees*. Businesses registered as a distributor are responsible for paying the California Redemption Value, or CRV. California allows distributors to claim a 1.5% administrative fee discount.

## What is a beverage manufacturer?

When it comes to responsibility for paying the processing fee, a beverage manufacturer is anyone who:

- Bottles, cans, or otherwise fills beverage containers in California with a beverage that's not beer, wine, or distilled spirits; or
- Holds a manufacturing license with the California Department of Alcoholic Beverage Control (ABC) for beer, wine, or distilled spirits, regardless of who fills

the container; or

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manufacturer would be considered responsible for the processing fee.

Processing fees and payments are subject to change. Current and historical processing fees and payments are available at CalRecycle.

### What is a beverage distributor?

With respect to the California Redemption Value (CRV) fee, a distributor is:

- Any person who engages in the sale or import of qualifying beverages in qualifying beverage containers to a dealer in the state; or
- Any manufacturer or importer who engages in sales to consumers or dealers in California; or
- The person or entity named on the direct shipper permit issued by the ABC.

In October 2023, California passed a law that exempts a beverage distributor from the requirement to pay a redemption payment (CRV) for a beverage container used solely to pour wine, beer, or distilled spirits at a licensed wine, beer, or distilled spirits tasing room. It also exempts licensed beer tasting rooms from the definition of a dealer. This change takes effect January 1, 2024.

# Does the bottle fee apply to direct shipments from out of state?

The Bottle Bill applies to direct shipments originating inside or outside California.

Per the law, "with respect to the payment of redemption payments for beverages manufactured outside the state and sold directly to consumers within the state with a direct shipper permit, the distributor shall be deemed to be the person or entity named on the direct shipper permit ... and shall be responsible for paying to the department the total redemption payment for all sales and transfers made directly to consumers" in California.

Bottle Bill registration requirements for wine direct shipper permittees

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submit an application for each FEIN. In both cases, CalRecycle will decide if the applicant(s) is a manufacturer, a distributor, or both. CalRecycle could assign each FEIN a manufacturer account *and* distributor account.

### Penalties for noncompliance

California takes recycling seriously. Should a direct wine shipper permit holder fail to register for and pay the redemption fee, it could have its wine direct shipper permit suspended or revoked by the Department of Alcoholic Beverage Control (ABC).

How much are the Bottle Bill fees?

The processing fee rates and California Refund Value (CRV) rates vary depending on the size of the container and the state's recycling rate.

## **CRV rates** are currently:

- 5 cents for a container with a capacity of less than 24 fluid ounces
- 10 cents for a container with a capacity of 24 fluid ounces or more (e.g., 750 ml wine bottles)
- 25 cents for a bladder, box, pouch, or similar container of wine and distilled spirits (starting January 1, 2024)
- 1.5% administrative fee

## Processing fee rates are currently:

- None for aluminum
- \$0.00375 for glass
- \$0.00066 for #1 PET (Polyethylene Terephthalate)
- \$0.00602 for #2 HDPE (High Density Polyethylene)
- \$0.05014 for #3 PVC (Polyvinyl Chloride)

• \$0.01696 for #4 – LDPE (Low Density Polyethylene)

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There are labeling requirements for beverages subject to the Bottle Bill.

Eligible containers containing qualifying beverages need to have one of the following California Redemption Value (CRV) messages on the label:

- California Redemption Value
- CA Redemption Value
- California Cash Refund
- CA CRV
- CA Cash Refund

However, beverage manufacturers have until July 1, 2025, to add the CRV message to the labels of the following products:

- Distilled spirits
- Wine and distilled spirit coolers with greater than 7% ABV
- Wine (including wine from which alcohol has been completely or partially removed, whether sparkling or carbonated)
- Wine or distilled spirits in a box, bladder, pouch, or similar container
- 100% fruit juice (46 ounces and greater)
- 100% vegetable juice (greater than 16 ounces)

The following beverages are exempt from CRV labeling requirements:

- Distilled spirits, wine, and wine and distilled spirit coolers with more than 7% ABV that are filled and labeled before January 1, 2024
- 100% fruit juice (46 ounces and greater) and 100% vegetable juice (greater than 16 ounces) that are filled and labeled before July 1, 2024

How does California's Bottle Bill raise money?

Beverage manufacturers and distributors make processing fee and/or CRV payments

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administrative costs, hauling fee payments, and recycling grants to various entities.

#### States with bottle bills

California isn't the only state with a bottle bill. According to the National Conference of State Legislatures, 10 states and one territory had bottle bills as of March 2020:

- California
- Connecticut
- Hawaii
- Iowa
- Maine
- Massachusetts
- Michigan
- New York
- Oregon
- Vermont
- Guam

Each state's policy is different, and rates range from about two cents to 15 cents per bottle, depending on the container and what it holds. Iowa and Maine include wine containers but provide an exemption for wine sold under a DTC permit.

States periodically consider new or expanded bottle bills. One of the next big changes on the horizon is that wine in a can will be subject to Oregon's Bottle Bill starting July 1, 2025.

**Small Business** 

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