

# Illinois Bootlegging Initiative Internet and Border

Update from Wine and Spirits Distributors of Illinois

December 11, 2015

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*Executive Director*

# The Commission's Responsibility

# The state commission shall:

- receive applications and issue licenses to ...winery shippers
- issue a cease and desist notice to persons shipping alcoholic liquor into this State from a point outside of this State if the shipment is in violation of this Act
- receive complaints...that any licensee has been or is violating any provision of this Act or the rules and regulations...it shall conduct an investigation...the Commission is satisfied that the alleged violation did occur, it shall proceed with disciplinary action

- Present a written report to the Governor and the General Assembly...on the business of soliciting, selling, and shipping wine from inside and outside of this State directly to residents of this State...shall provide all of the following information:
  - amount of State excise and sales tax revenues generated
  - amount of licensing fees received
  - number of cases of wine shipped from inside and outside of this State directly to residents of this State
  - number of alcohol compliance operations conducted
  - number of winery shipper's licenses issued
  - number of reported violations; cease & desist notices issued; notices of violations issued by the Commission and to DOR; and notices and complaints of violations to law enforcement officials

- Therefore, the paramount purposes of this amendatory Act is to continue to carefully limit direct shipment sales of wine produced by makers of wine and to continue to prohibit such direct shipment sales for spirits and beer.
- The Commission shall establish a system to notify the out-of-state trade of this prohibition and to detect violations. The Commission shall request the Attorney General to extradite any offender.
- The Commission...shall give notice to the person by certified mail to cease and desist all shipments of alcoholic liquor into this State and to withdraw from this State within 5 working days after receipt of the notice all shipments of alcoholic liquor then in transit.

- Whenever the Commission has reason to believe that a person has failed to comply with the Commission notice under this Section, it shall notify the DOR and file a complaint with the State's Attorney of the county where the alcoholic liquor was delivered or with appropriate law enforcement officials.
- Failure to comply...constitutes a business offense for which the person shall be fined not more than \$1,000 for a first offense, not more than \$5,000 for a second offense, and not more than \$10,000 for a third or subsequent offense. Each shipment of alcoholic liquor delivered in violation of the cease and desist notice shall constitute a separate offense.

- **Any person who...sells alcoholic liquor at any place within the State without having first obtained a valid license to do so under the provisions of this Act shall be guilty of a business offense and fined not more than \$1,000 for the first such offense and shall be guilty of a Class 4 felony for each subsequent offense.**

# Timeline of Events



# 2012 – 2015

- WSDI presented information to the Commission (ILCC) and their legal staff multiple times detailing the legal and illegal consequences (loss of revenue and public safety) of direct to consumer sales.
- The legal staff turned the information over to the Department of Revenue for investigation and then were told it was under investigation and they were not privileged to receive updates.

# 2014

- WSDI commenced an investigation on our own.
- WSDI presented information to the IL Attorney General and Cook County Sheriff.
- FOIA requests were sent to the ILCC for FedEx and UPS shipper reports that the ILCC had received.

# FedEx Raw Data

Shipper Company	Shipper Address	Shipper City	Shipper St	Shipper Zip	Delivery Date	Wt	# Pkgs	Type of PKG	Kind	Vol ml per Pkg
OIL- THE WINE CELLAR	1705 NEW LENOX RD	JOLIET	IL	60433	41590	39	12	Bottle	Wine	750
1st ave Wine House Inc.	3412 1st Ave	Cedar Rapids	IA	52402	41625	9	3	Bottle	Wine	750
1st ave Wine House Inc.	3412 1st Ave	Cedar Rapids	IA	52402	41625	15	5	Bottle	Wine	750
1st ave Wine House Inc.	3412 1st Ave	Cedar Rapids	IA	52402	41635	8	2	Bottle	Wine	750
21st Century Spirits	6550 East Washington Blvd.	Commerce	CA	90040	41629	4	1	Bottle	Wine	750
21st Century Spirits	6550 East Washington Blvd.	Commerce	CA	90040	41629	4	1	Bottle	Wine	750
21st Century Spirits	6550 East Washington Blvd.	Commerce	CA	90040	41629	4	1	Bottle	Wine	750
21st Century Spirits	6550 East Washington Blvd.	Commerce	CA	90040	41629	4	1	Bottle	Wine	750
21st Century Spirits	6550 East Washington Blvd.	Commerce	CA	90040	41629	4	1	Bottle	Wine	750
24 SEVEN ENTERPRISES	1073 ROUTE 94	NEW WINDSOR	NY	12553	41437	30	9	Bottle	Wine	750
36th Ave Wine & Spirits	30-14 36th Ave	Queens	NY	11106	41631	4	1	Bottle	Wine	750
56 degree Wine	25 Claremont Rd	Bernardsville	NJ	7924	41627	37	11	Bottle	Wine	750
56 degree Wine	25 Claremont Rd	Bernardsville	NJ	7924	41634	7	2	Bottle	Wine	750
7IL-THE WINE CELLAR	1705 NEW LENOX RD	JOLIET	IL	60433	41629	48	14	Bottle	Wine	750
800wine.com	1099 Essex	Richmond	CA	94801	41639	7	2	Bottle	Wine	750
AAAA	1227 Paso Robles St	Paso Robles	CA	93446	41437	44	13	Bottle	Wine	750
AAAA	1227 Paso Robles St	Paso Robles	CA	93446	41437	15	5	Bottle	Wine	750
AAAA	1227 Paso Robles St	Paso Robles	CA	93446	41627	43	13	Bottle	Wine	750
AAMC	C/O All American Mail Center	Napa	CA	94558	41628	40	12	Bottle	Wine	750
AAMC	C/O All American Mail Center	Napa	CA	94558	41628	37	11	Bottle	Wine	750
AAMC	C/O All American Mail Center	Napa	CA	94558	41628	7	2	Bottle	Wine	750
AAMC	C/O All American Mail Center	Napa	CA	94558	41629	5	2	Bottle	Wine	750
AAMC	C/O All American Mail Center	Napa	CA	94558	41639	7	2	Bottle	Wine	750
Aaron Wines	91 13th St	Cayucos	CA	93430	41621	22	7	Bottle	Wine	750
Aaron Wines	91 13th St	Cayucos	CA	93430	41621	22	7	Bottle	Wine	750
Aaron Wines	91 13th St	Cayucos	CA	93430	41621	12	4	Bottle	Wine	750
AARON WINES	91 13TH ST	CAYUCOS	CA	93430	41621	22	7	Bottle	Wine	750

# FedEx Raw Data

Aaron Wines	91 13th St	Cayucos	CA	93430	41624	22	7	Bottle	Wine	750
ABUNDANCE VINEYARDS	1370 E. Turner Rd.	Lodi	CA	95242	41626	11	3	Bottle	Wine	750
Acker Merrill & Condit	709 Executive Blvd	Valley Cottage	NY	10989	41376	46	14	Bottle	Wine	750
Acker Merrill & Condit	709 Executive Blvd	Valley Cottage	NY	10989	41406	33	10	Bottle	Wine	750
Acker Merrill & Condit	709 Executive Blvd	Valley Cottage	NY	10989	41406	40	12	Bottle	Wine	750
Acker Merrill & Condit	709 Executive Blvd	Valley Cottage	NY	10989	41626	38	11	Bottle	Wine	750
Acker Merrill & Condit	709 Executive Blvd	Valley Cottage	NY	10989	41626	25	8	Bottle	Wine	750
ACQUIESCE WINERY	1370 E. Turner Rd.	Lodi	CA	95242	41631	9	3	Bottle	Wine	750
ACQUIESCE WINERY	1370 E. Turner Rd.	Lodi	CA	95242	41629	9	3	Bottle	Wine	750
ACQUIESCE WINERY	1370 E. Turner Rd.	Lodi	CA	95242	41629	9	3	Bottle	Wine	750
ACQUIESCE WINERY	1370 E. Turner Rd.	Lodi	CA	95242	41631	9	3	Bottle	Wine	750
ACQUIESCE WINERY	1370 E. Turner Rd.	Lodi	CA	95242	41631	9	3	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41593	16	5	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41593	23	7	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41593	37	11	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41593	23	7	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41593	12	4	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41593	23	7	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41593	41	12	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41593	23	7	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41593	23	7	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41593	38	11	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41596	41	12	Bottle	Wine	750
Adastra Wines	2545 Las Amigas Rd	Napa	CA	94559	41597	23	7	Bottle	Wine	750
AERO PACKING	122 DODD CT	AMERICAN CANYON	CA	94503	41529	88	20	Bottle	Wine	750
AERO PACKING	122 DODD CT	AMERICAN CANYON	CA	94503	41628	8	2	Bottle	Wine	750
AERO PACKING	122 DODD CT	AMERICAN CANYON	CA	94503	41628	10	3	Bottle	Wine	750
AERO PACKING	122 DODD CT	AMERICAN CANYON	CA	94503	41631	20	6	Bottle	Wine	750
Aerovin, LLC	8913 Heritage Dr.	WINDSOR	CA	95492	41559	15	5	Bottle	Wine	750
Aerovin, LLC	8913 Heritage Dr.	WINDSOR	CA	95492	41559	15	5	Bottle	Wine	750
Agajanian Vineyards	25 Enterprise Court	Napa	CA	94558	41638	6	2	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41621	39	12	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41621	4	1	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41621	19	6	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41622	10	3	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41628	4	1	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41628	3	1	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41628	3	1	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41628	3	1	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41628	3	1	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41628	3	1	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41631	9	3	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41631	8	2	Bottle	Wine	750
Agua Dulce Winery	9640 Sierra Hwy	Agua Dulce	CA	91390	41632	4	1	Bottle	Wine	750
AGWG	29911 Aventura	RSM	CA	92688	41620	40	12	Bottle	Wine	750
AGWG	29911 Aventura	RSM	CA	92688	41620	40	12	Bottle	Wine	750
AGWG	29911 Aventura	RSM	CA	92688	41620	38	11	Bottle	Wine	750
AGWG	29911 Aventura	RSM	CA	92688	41621	24	7	Bottle	Wine	750
AGWG	29911 Aventura	RSM	CA	92688	41622	38	11	Bottle	Wine	750

# Analysis of FedEx Data

- 40,135 unlicensed (3U, 3V, or 3W) deliveries in Dec '13
- 219,711 unlicensed (3U, 3V or 3W) 750ml bottles shipped in Dec '13
- 43,531 unlicensed (3U, 3V or 3W) gallons shipped in Dec '13

# Analysis of UPS Data

- 44,676 unlicensed (3U, 3V, or 3W) deliveries in Dec '13
- 241,250 unlicensed (3U, 3V or 3W) 750ml bottles shipped in Dec '13
- 47,798 unlicensed (3U, 3V or 3W) gallons shipped in Dec '13

# WSDI's Actions

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- WSDI validated and linked license information from FedEx and UPS reports
- Continued to educate key legislators on the magnitude of tax revenue loss and public safety threat
- WSDI made presentations to the Commission on the Act in November '14, January '15, and February '15
- WSDI projects tax loss estimates as high as \$20 million a year



# February 2015

- WSDI staff place and receive online orders of bourbon from an out-of-state retailer and a wine basket from an unlicensed California wine shipper
- ILCC issues 50 cease and desist letters to retailers, fulfillment centers, online companies, and wineries and sends copies to UPS and FedEx

# April 2015

- ILCC reports they have issued 160 cease and desist letters to retailers, fulfillment centers, online companies and wineries
- Cease and desist letters result in 100 new winery shipper permits being issued

# August 2015

- ILCC reports that approximately 150 winery shipper permits have been issued due to cease and desist letters
- ILCC is reviewing FedEx and UPS reports to look for continued illegal shipping
- ILCC states next step is to file a complaint with the State's Attorney
- ILCC will focus on Cook County illegal internet shipments first
- WSDI and the ILCC continue to combine efforts to stop illegal shipments into Illinois and maximize tax revenue to the State
- WSDI has worked with multiple other states on illegal shipping of alcohol

What was happening at  
the same time?

- Republican Governor was elected on 11/4/14 and took office on 1/12/15
- Chairman Schnorf of the ILCC was reappointed on 2/3/15
- WSDI voiced our concerns
- 2/20/15 – WSDI drafts SB1443, a bill to reverse Gov. Blagojevich's executive order and create a stand alone Commission
- WSDI and ABDI meet with administration and receive a plan to fold the ILCC further into Revenue
- Senator Muñoz withdrew Chairman Schnorf's appointment on 3/23/15
- 7/22/15 – Director of Revenue Connie Beard was appointed as the interim Chairman of the ILCC
- WSDI continues to discuss a model commission with additional resources for enforcement and changing the Act to increase penalties

# Cross Border Investigation

- On June 11, 2015 ABC7's I-Team Investigators aired their investigative report on illegal cross border sales and deliveries of liquor
- [http://media.wix.com/ugd/a4ee84\\_93ad5417153b4740b43b2789cd46a88f.pdf](http://media.wix.com/ugd/a4ee84_93ad5417153b4740b43b2789cd46a88f.pdf)

# September 17, 2015

- Illinois charged 9 liquor store owners with sales tax fraud for illegally purchasing product at an Indiana retail location
  - Abdel Fattah Hammad, Cherag Patel, Dipakkumar Patel, Jiggarkumar Patel, Mukesh Patel, Nishant Patel, Rajanikant Patel, Vishal Patel, and Yasir Kanan
- Attorney General reports estimated sales tax loss of \$3.5 million
- No mention of lost state excise taxes by purchasing product in Indiana

# September 30, 2015

- Cecil County Liquor Store Owner Pleads Guilty in Scheme to Evade Payment of Taxes on Liquor Smuggled into New York (U.S. Attorney's Office, District of Maryland)
  - Charged - Dilip Patel
  - \$673,992 restitution ordered to match excise tax loss
  - Additional forfeiture of \$11,000 from the store's operating account



# December 2015

- Internet shipping update
  - The ILCC reports that wine shippers licenses have increased from 900 to 1,500 after the first round of cease and desist letters were sent
  - The ILCC is continuing to audit shipping reports
  - A second round of cease and desist letters were sent to 9 specific large retailers. Staff is reviewing shipments from these retailers and will be having conversations with the Attorney General
  - The ILCC reports that while shipments have decreased by 24,000 in the Apr-Oct timeframe from last year, revenues in that same period increased
  - New York State legislature sends bill, 5920-A, to Gov. Cuomo that prevents the NYSLA from revoking, cancelling or suspending a New York license based on conduct outside the state or violations of another state's law unless they can be heard in the jurisdiction that has authority

# December 2015

- Cross Border Update
  - There have been 11 delinquencies among the 7 retail stores since the Attorney General's press release
  - All 7 stores still have current liquor licenses
  - One retailer's Secretary of State certificate says it was involuntarily dissolved
  - One retailer's Secretary of State certificate says it is not in good standing
  - All of these owners have appeared in court and the cases have been continued. Next court appearances are in December and January

# Common Carrier Legislation

- Current vs. proposed in Illinois
  - Requires the shipping label to include the Illinois license number and the contents of the box to be on the label
  - Enhances ID requirements by using scan technology
  - Requires dram shop insurance
  - Increases penalties
  - Subjects USPS to the same rules
  - Subjects delivery services to ID requirements

# Contents of Folder

- Copy of presentation
- Top 100 Shippers – UPS
- Top 100 Shippers – FedEx
- 4 news articles regarding illegal shipments into Illinois
- 2 news articles regarding the ILCC
- On Cuomo's desk: Bill inspired by SLA action against Empire Wine
- New York bill 5920-A
- Current Illinois common carrier language