

S.250

Introduced by Senator Mullin

Referred to Committee on Econ. Dev., Housing and General Affairs

Date: January 5, 2016

Subject: Alcoholic beverages; licensing; manufacturers of spirits

Statement of purpose of bill as introduced: This bill proposes to create a farm distiller's license for manufacturers of spirits made from Vermont agricultural products or Vermont maple sap, and to define Vermont spirits and Vermont barrel aged maple spirits.

~~An act relating to farm distilleries and Vermont barrel aged maple spirits~~  
*An act relating to alcoholic beverages*

It is hereby enacted by the General Assembly of the State of Vermont:

~~Sec. 1. 7 V.S.A. § 2 is amended to read:~~

§ 2. DEFINITIONS

The following words as used in this title, unless a contrary meaning is required by the context, shall have the following meaning:

\* \* \*

(27) "Special events permit": a permit granted by the Liquor Control Board permitting a ~~person holding a manufacturer's or rectifier's license~~ licensed manufacturer, rectifier, or a farm distiller to sell by the glass or by unopened bottle spirits, fortified wines, malt beverages, or vinous beverages ~~manufactured or rectified by the license holder at an event open to the public~~

1 ~~that has been approved by the local licensing authority. For the purposes of~~  
2 tasting only, the permit holder may distribute, with or without charge,  
3 beverages manufactured by the permit holder by the glass no more than two  
4 ounces per product and eight ounces total of malt beverages or vinous  
5 beverages and no more than one ounce in total of spirits or fortified wines to  
6 each individual. No more than 104 special events permits may be issued to a  
7 ~~holder of a manufacturer's or rectifier's license~~ licensed manufacturer,  
8 rectifier, or farm distiller during a year. A special event permit shall be valid  
9 for the duration of each public event or four days, whichever is shorter.  
10 Requests for a special events permit, accompanied by the fee as required by  
11 subdivision 231(13) of this title, shall be submitted to the Department of  
12 Liquor Control at least five days prior to the date of the event. Each  
13 manufacturer ~~or~~ rectifier, or farm distiller planning to attend a single special  
14 event under this permit may be listed on a single permit. However, each  
15 attendance at a special event shall count toward the manufacturer's ~~or~~  
16 rectifier's, or farm distiller's 104 special-event-permit limitation.

17 (28) "Fourth-class license" or "farmers' market license": the license  
18 granted by the Liquor Control Board permitting a ~~manufacturer or rectifier of~~  
19 ~~malt beverages, vinous beverages, fortified wines, or spirits~~ licensed  
20 manufacturer, rectifier, or farm distiller to sell by the unopened container and  
21 distribute by the glass with or without charge, beverages manufactured by the

1 ~~licensee. No more than a combined total of ten fourth class and farmers'~~  
2 market licenses may be granted to a licensed manufacturer ~~or~~, rectifier, or farm  
3 distiller. At only one fourth-class license location, a ~~manufacturer or rectifier~~  
4 ~~of vinous beverages, malt beverages, fortified wines, or spirits~~ licensed  
5 manufacturer, rectifier, or farm distiller may sell by the unopened container  
6 and distribute by the glass, with or without charge, vinous beverages, malt  
7 beverages, fortified wines, or spirits produced by no more than five additional  
8 manufacturers ~~or~~, rectifiers, or farm distillers, provided these beverages are  
9 purchased on invoice from the manufacturer ~~or~~, rectifier, or farm distiller. A  
10 manufacturer ~~or~~, rectifier of vinous beverages, malt beverages, fortified wines,  
11 ~~or spirits, or farm distiller~~ may sell its product to no more than five additional  
12 manufacturers ~~or~~, rectifiers, or farm distillers. A fourth-class licensee may  
13 distribute by the glass no more than two ounces of malt beverages or vinous  
14 beverages with a total of eight ounces to each retail customer and no more than  
15 one-quarter ounce of spirits or fortified wine with a total of one ounce to each  
16 retail customer for consumption on the manufacturer's premises or at a  
17 farmers' market. A fourth class licensee may distribute by the glass up to four  
18 mixed drinks containing a combined total of no more than one ounce of spirits  
19 or fortified wine to each retail customer for consumption only on the  
20 manufacturer's premises. A farmers' market license is valid for all dates of  
21 operation for a specific farmers' market location.

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(36) "Outside consumption permit": a permit granted by the Liquor Control Board allowing the holder of a first-class ~~or, first-~~ and third-class license holder and, fourth-class license holder, or farm distiller's license to allow for consumption of alcohol in a delineated outside area.

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(40) "Farm distiller's license": a license granted by the Liquor Control Board that permits the holder to manufacture Vermont spirits and Vermont barrel aged maple spirits for export and for sale as provided in section 242 of this title.

(41) "Vermont spirits": spirits manufactured from fruit, vegetables, grain, grain products, honey, sap, or other agricultural products, of which at least 75 percent by volume, exclusive of water, was grown or produced in Vermont.

(42) "Vermont barrel aged maple spirits": spirits that are manufactured from Vermont maple sap and aged in oak barrels as provided in section 70 of this title.

Sec. 2. 7 V.S.A. § 242 is added to read:

§ 242. FARM DISTILLER'S LICENSES

(a) The Liquor Control Board may grant a farm distiller's license to a person if the person files an application accompanied by the license fee

1 ~~provided in section 231 of this title for the premises in which the farm~~  
2 distillery will be operated. An applicant for a farm distiller's license shall  
3 satisfy the Liquor Control Board that the applicant is the owner or lessee of the  
4 premises and that the premises are operated for the purpose covered by the  
5 license.

6 (b) The holder of a farm distiller's license may sell a combined total of no  
7 more than 20,000 gallons per year of Vermont spirits and Vermont barrel aged  
8 maple spirits.

9 (c) A licensed farm distiller shall be permitted to sell Vermont spirits and  
10 Vermont barrel aged maple spirit:

11 (1) to the Liquor Control Board; or

12 (2) from the licensed premises:

13 (A) by the unopened container for consumption off the  
14 premises; or

15 (B) by the glass for consumption on the premises.

16 (d)(1) A licensed farm distiller may distribute by the glass, without charge,  
17 and for consumption on the licensed premises a total of no more than one  
18 ounce of Vermont spirits or Vermont barrel aged maple spirits, or both,  
19 manufactured by the licensee.

20 (2) A licensed farm distiller may distribute by the glass, without charge,  
21 and for consumption on the licensed premises up to four mixed drinks

1 ~~containing a combined total of no more than one ounce of Vermont spirits or~~  
2 Vermont barrel aged maple spirits, or both, manufactured by the licensee.

3 (e) Rules applicable to second-class licenses and pertaining to financial  
4 responsibility; education of employees, age of employees, hours of sale, age of  
5 purchasers, the selling and furnishing to apparently intoxicated persons; and  
6 leases of businesses shall all apply in like manner to holders of farm distiller's  
7 licenses.

8 (f) The Liquor Control Board may approve up to one branch location for  
9 the farm distillery as part of a farm distiller's license. An applicant wishing to  
10 operate a branch location shall satisfy the Liquor Control Board that the  
11 applicant is the owner or lessee of the branch location's premises and that the  
12 branch location's premises are operated for the purpose covered by the license.  
13 If approved by the Liquor Control Board, the branch location shall be  
14 considered part of the licensed premises and subject to all applicable  
15 requirements of this section. All activities permitted at the licensed farm  
16 distillery shall also be permitted at the approved branch location.

17 Sec. 3. 7 V.S.A. § 70 is added to read:

18 § 70. VERMONT BARREL AGED MAPLE SPIRITS

19 (a) Spirits may not be advertised, described, labeled, named, sold, or  
20 referred to for marketing or sales purposes as "Vermont barrel aged maple  
21 spirits" unless all the following conditions are satisfied:

1 ~~(1) The spirits are manufactured in Vermont.~~

2 ~~(2) The sole ingredient of the spirits, exclusive of water, is maple sap~~  
3 ~~that was entirely produced within Vermont.~~

4 ~~(3) The spirits are aged in oak barrels.~~

5 ~~(b) Any person that violates subsection (a) of this section shall be fined not~~  
6 ~~more than \$1,000.00.~~

7 ~~(c) In addition to any other penalties, the Liquor Control Board may~~  
8 ~~suspend or revoke the license of a manufacturer, rectifier, or farm distiller that~~  
9 ~~violates this section.~~

10 Sec. 4. 7 V.S.A. § 67 is amended to read:

11 § 67. ALCOHOLIC BEVERAGE TASTINGS; PERMIT; PENALTIES

12 \* \* \*

13 (d) Promotional alcoholic beverage tasting:

14 (1) At the request of a holder of a first- or second-class license, a holder  
15 of a manufacturer's, rectifier's, or wholesale dealer's license may distribute  
16 without charge to the first- or second-class licensee's management and staff,  
17 provided they are of legal drinking age and are off duty for the rest of the day,  
18 two ounces per person of vinous or malt beverages for the purpose of  
19 promoting the beverage. At the request of a holder of a third-class license, a  
20 manufacturer or rectifier of spirits or fortified wines or a farm distiller may  
21 distribute without charge to the third-class licensee's management and staff

1 ~~provided they are of legal drinking age and are off duty for the rest of the day,~~  
2 one-quarter ounce of each beverage and no more than a total of one ounce to  
3 each individual for the purpose of promoting the beverage. No permit is  
4 required under this subdivision, but written notice of the event shall be  
5 provided to the Department of Liquor Control at least five days prior to the  
6 date of the tasting.

7 \* \* \*

8 Sec. 5. 7 V.S.A. § 230 is amended to read:

9 § 230. RESTRICTIONS; FINANCIAL INTERESTS; DISPLAY OF  
10 LICENSE; EMPLOYEES

11 (a) Except as provided in subdivision 2(15) and section 242 of this title, a  
12 bottler, manufacturer, ~~or~~ rectifier, or farm distiller licensed in Vermont or in  
13 another state, a certificate of approval holder, or wholesale dealer shall not  
14 have any financial interest in the business of a first-, second-, or third-class  
15 license, and a first-, second-, or third-class licensee may not have any financial  
16 interest in the business of a bottler, manufacturer, ~~or~~ rectifier, or farm distiller  
17 licensed in Vermont or in another state, a certificate of approval holder, or  
18 wholesale dealer. However, a manufacturer of malt beverages may have a  
19 financial interest in the business of a first- or second-class license, and a  
20 first- or second-class licensee may have a financial interest in the business of a  
21 manufacturer of malt beverages, provided a first- or second-class licensee does

1 ~~not purchase, possess, or sell the malt beverages produced by a manufacturer~~  
2 with which there is any financial interest. All licenses or permits granted  
3 under this title shall be conspicuously displayed on the premises for which the  
4 license or permit is granted. Any manufacturer of malt beverages that has a  
5 financial interest in a first- or second-class licensee and any first- or  
6 second-class licensee that has a financial interest in a manufacturer of malt  
7 beverages, as permitted under this section, shall provide to the Department of  
8 Liquor Control and the applicable wholesale dealer written notification of that  
9 financial interest and the licensees involved. A wholesale dealer shall not be in  
10 violation of this section for delivering malt beverages to a first- or second-class  
11 licensee that is prohibited from purchasing, possessing, or selling those malt  
12 beverages under this section.

13 \* \* \*

14 Sec. 6. 7 V.S.A. § 231 is amended to read:

15 § 231. FEES FOR LICENSES AND PERMITS; DISPOSITION OF FEES

16 (a) The following fees shall be paid:

17 \* \* \*

18 (25) For a farm distiller's license, \$100.00.

19 \* \* \*

20 Sec. 7. 7 V.S.A. § 239 is amended to read:

21 § 239. LICENSEE EDUCATION

1 ~~(a) A new first class, second class, third class, fourth class, or farmers'~~  
2 ~~market, or farm distiller's~~ license shall not be granted until the applicant has  
3 met with a liquor control investigator or training specialist for the purpose of  
4 being informed of the Vermont liquor laws; and rules, ~~and regulations~~  
5 pertaining to the purchase, storage, and sale of ~~alcohol~~ alcoholic beverages.

6 A corporation, partnership, or association shall designate a director, partner, or  
7 manager who shall comply with the terms of this subsection.

8 (b) Every first-class, second-class, third-class, fourth-class, or farmers'  
9 market licensee and every holder of a manufacturer's, rectifier's, or farm  
10 distiller's license shall complete the Department of Liquor Control licensee  
11 training seminar at least once every two years. A corporation, partnership, or  
12 association shall designate a director, partner, or manager who shall comply  
13 with the terms of this subsection. A first-class, second-class, third-class,  
14 fourth-class, ~~or~~ farmers' market, farm distiller's license, or manufacturer's or  
15 rectifier's license shall not be renewed unless the records of the Department of  
16 Liquor Control show that the licensee has complied with the terms of this  
17 subsection.

18 \* \* \*

19 Sec. 8. EFFECTIVE DATE

20 ~~This act shall take effect on July 1, 2016.~~

~~Sec. 1. 7 V.S.A. § 2 is amended to read:~~

~~§ 2. DEFINITIONS~~

~~The following words as used in this title, unless a contrary meaning is required by the context, shall have the following meaning:~~

~~\* \* \*~~

~~(5) “Cabaret license”: a first class license or first and third class licenses where the business is devoted primarily to providing entertainment, dancing, and the sale of alcoholic beverages to the public and not the service of food. The holder of a “cabaret license” shall serve food at all times when open for business and shall have adequate and sanitary space and equipment for preparing and serving food. However, the gross receipts from the sale of food shall be less than the combined receipts from the sales of alcoholic beverages, entertainment, and dancing in the prior reporting year. All laws and regulations pertaining to a first class license or first and third class licenses shall apply to the first class or first and third class cabaret licenses. [Repealed.]~~

~~(6) “Caterer’s license”: a license issued by the Liquor Control Board authorizing the holder of a first-class license or first- and third-class licenses for a cabaret, restaurant, or hotel premises to serve malt or vinous beverages, spirits, or fortified wines at a function located on premises other than those occupied by a first-, first- and third-, or second-class licensee to sell alcoholic beverages.~~

~~\* \* \*~~

~~(15) “Manufacturer’s or rectifier’s license”: a license granted by the Liquor Control Board that permits the holder to manufacture or rectify spirits or malt beverages, or vinous beverages and fortified wines, or spirits and fortified wines. Spirits and fortified wines may be manufactured or rectified by a license holder for export and sale to the Liquor Control Board, or and malt beverages and vinous beverages may be manufactured or rectified by a license holder for export and sale to bottlers or wholesale dealers. This license permits a manufacturer of vinous beverages or fortified wines to receive from another manufacturer licensed in or outside this State bulk shipments of vinous beverages to rectify with the licensee’s own product, provided that the vinous beverages or fortified wines produced by a Vermont manufacturer may contain no more than 25 percent imported vinous beverage. The Liquor Control Board may grant to a licensed manufacturer or rectifier of spirits, fortified wines, vinous beverages, or malt beverages a first-class ~~restaurant or cabaret~~ license or a first- and a third-class ~~restaurant or cabaret~~ license permitting the licensee to sell alcoholic beverages to the public only at the manufacturer’s~~

~~premises, which for the purposes of a manufacturer of malt beverages, includes up to two licensed establishments that are located on the contiguous real estate of the holder of the manufacturer's license, provided the manufacturer or rectifier owns or has direct control over those establishments. A manufacturer of malt beverages who also holds a first class restaurant or cabaret license may serve to a customer malt beverage by the glass, not to exceed eight glasses at one time and not to exceed four ounces in each glass. The Liquor Control Board may grant to a licensed manufacturer or a rectifier of malt beverages a second-class license permitting the licensee to sell alcoholic beverages to the public anywhere on the manufacturer's or rectifier's premises. A licensed manufacturer or rectifier of vinous beverages may serve, with or without charge, at an event held on the premises of the licensee or the vineyard property at a location on the contiguous real estate of the licensee, spirits, fortified wines, vinous beverages, and malt beverages, provided the licensee gives the Department written notice of the event, including details required by the Department, at least five days before the event. Any beverages not manufactured by the licensee and served at the event shall be purchased on invoice from a licensed manufacturer or wholesale dealer or the Liquor Control Board.~~

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~~(27) "Special events permit": a permit granted by the Liquor Control Board permitting a person holding a manufacturer's or rectifier's license licensed manufacturer or rectifier to sell by the glass or by unopened bottle spirits, fortified wines, malt beverages, or vinous beverages manufactured or rectified by the license holder at an event open to the public that has been approved by the local licensing authority. For the purposes of tasting only, the permit holder may distribute, with or without charge, beverages manufactured by the permit holder by the glass no more than two ounces per product and eight ounces total of malt beverages or vinous beverages and no more than one ounce in total of spirits or fortified wines to each individual. No more than 104 special events permits may be issued to a holder of a manufacturer's or rectifier's license licensed manufacturer or rectifier during a year. A special ~~event~~ events permit shall be valid for the duration of each public event or four days, whichever is shorter. Requests for a special events permit, accompanied by the fee as required by subdivision 231(13) of this title, shall be submitted to the Department of Liquor Control at least five days prior to the date of the event. Each manufacturer or rectifier planning to attend a single special event under this permit may be listed on a single permit. However, each attendance at a special event shall count toward the manufacturer's or rectifier's annual limit of 104 special event permit limitation special events permits.~~

~~(28) "Fourth class license" or "farmers' market license": the license granted by the Liquor Control Board permitting a manufacturer or rectifier of malt beverages, vinous beverages, fortified wines, or spirits licensed manufacturer or rectifier to sell by the unopened container and distribute by the glass with or without charge, beverages manufactured by the licensee. No more than a combined total of ten fourth-class and farmers' market licenses may be granted to a licensed manufacturer or rectifier. At only one fourth-class license location, a manufacturer or rectifier of vinous beverages, malt beverages, fortified wines, or spirits licensed manufacturer or rectifier may sell by the unopened container and distribute by the glass, with or without charge, vinous beverages, malt beverages, fortified wines, or spirits produced by no more than five additional manufacturers or rectifiers, provided these beverages are purchased on invoice from the manufacturer or rectifier. A manufacturer or rectifier of vinous beverages, malt beverages, fortified wines, or spirits may sell its product to no more than five additional manufacturers or rectifiers. A fourth-class licensee may distribute by the glass no more than two ounces of malt beverages or vinous beverages with a total of eight ounces to each retail customer and no more than one-quarter ounce of spirits or fortified wine with a total of one ounce to each retail customer for consumption on the manufacturer's premises or at a farmers' market. A fourth-class fourth-class licensee may distribute by the glass up to four mixed drinks containing a combined total of no more than one ounce of spirits or fortified wine to each retail customer for consumption only on the manufacturer's premises. A farmers' market license is valid for all dates of operation for a specific farmers' market location.~~

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~~(36) "Outside consumption permit": a permit granted by the Liquor Control Board allowing the holder of a first-class or, first- and third-class license holder and, or fourth-class license holder to allow for consumption of alcohol in a delineated outside area.~~

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~~(40) "Retail delivery permit": a permit granted by the Liquor Control Board that permits a second-class licensee to deliver malt beverages or vinous beverages sold by the licensee to the purchaser at a location in Vermont.~~

~~(41) "Destination resort master license": a license granted by the Liquor Control Board pursuant to section 472 of this title permitting a destination resort to designate licensed caterers and commercial caterers that will be permitted to cater individual events within the boundaries of the resort without being required to obtain a request to cater permit for each individual event. For purposes of a destination resort master license, a "destination~~

~~resort" is a resort that contains at least 100 acres of land, offers at least 50 units of sleeping accommodations, offers food and beverage service to the public for consideration, and has related sports and recreational facilities for the convenience or enjoyment of its guests.~~

~~Sec. 2. 7 V.S.A. § 67 is amended to read:~~

~~§ 67. ALCOHOLIC BEVERAGE TASTINGS; PERMIT; PENALTIES~~

~~\* \* \*~~

~~(d) Promotional alcoholic beverage tasting:~~

~~(1) At the request of a holder of a first- or second-class license, a holder of a manufacturer's, rectifier's, or wholesale dealer's license may distribute without charge to the first- or second-class licensee's management and staff, provided they are of legal drinking age and are off duty for the rest of the day, two ounces per person of vinous or malt beverages for the purpose of promoting the beverage. At the request of a holder of a third-class license, a manufacturer or rectifier of spirits or fortified wines may distribute without charge to the third-class licensee's management and staff, provided they are of legal drinking age and are off duty for the rest of the day, one-quarter ounce of each beverage and no more than a total of one ounce to each individual for the purpose of promoting the beverage. No permit is required under this subdivision, but written notice of the event shall be provided to the Department of Liquor Control at least ~~five days~~ two days prior to the date of the tasting.~~

~~\* \* \*~~

~~(e) Tastings for product quality assurance. A licensed manufacturer or rectifier may distribute to its management and staff who are directly involved in the production of the licensee's products, provided they are of legal drinking age and at the licensed premises, samples of the licensee's products for the purpose of assuring the quality of the products. Each sample of vinous or malt beverages shall be no larger than two ounces, and each sample of spirits or fortified wines shall be no larger than one-quarter ounce. No permit is required under this subsection.~~

~~(f) Age and training of servers. No individual who is under ~~the age of~~ 18 years of age or who has not received training as required by the Department may serve alcoholic beverages at an event under this section.~~

~~(f)(g) Penalties. The holder of a permit issued under this section that provides alcoholic beverages to an underage individual or permits an individual under ~~the age of~~ 18 years of age to serve alcoholic beverages at a beverage tasting event under this section shall be fined not less than \$500.00 nor more than \$2,000.00 or imprisoned not more than two years, or both.~~

~~Sec. 3. 7 V.S.A. § 70 is added to read:~~

~~§ 70. MANUFACTURERS OF MALT BEVERAGES; TRANSFER OF  
MALT BEVERAGES BETWEEN LICENSED LOCATIONS~~

~~(a) A licensed manufacturer of malt beverages may transfer malt beverages to a second licensed manufacturer of malt beverages without payment of taxes pursuant to section 421 of this title provided:~~

~~(1) the manufacturers are part of the same company;~~

~~(2) one manufacturer owns the controlling interest in the other manufacturer; or~~

~~(3) the controlling interest in each manufacturer is owned by the same person.~~

~~(b) For each transfer of malt beverages pursuant to this section, the manufacturers shall:~~

~~(1) document on invoices the amount of malt beverages transferred without payment of taxes; and~~

~~(2) prepare and maintain records of each transfer in accordance with all applicable federal laws and regulations.~~

~~Sec. 4. 7 V.S.A. § 231 is amended to read:~~

~~§ 231. FEES FOR LICENSES AND PERMITS; DISPOSITION OF FEES~~

~~(a) The following fees shall be paid:~~

~~(1) For a manufacturer's or rectifier's license to manufacture or rectify malt beverages ~~and, or~~ vinous beverages and fortified wines, or ~~to manufacture or rectify~~ spirits and fortified wines, \$310.00 for ~~either~~ each license.~~

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~~(11) For up to ten fourth-class ~~vinous~~ licenses, \$70.00.~~

~~\*\*\*~~

~~(25) For a retail delivery permit, \$100.00.~~

~~(26) For a destination resort master license, \$500.00.~~

~~(26) For a destination resort master license, \$1,000.00.~~

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~~Sec. 5. 7 V.S.A. § 222 is amended to read:~~

~~§ 222. FIRST- AND SECOND-CLASS LICENSES; GRANTING OF; SALE  
TO MINORS; CONTRACTING FOR FOOD SERVICE~~

~~With the approval of the Liquor Control Board, the control commissioners may grant the following licenses to a retail dealer for the premises where the dealer carries on business:~~

~~(1) Upon making application and paying the license fee provided in section 231 of this title, a first-class license which authorizes the dealer to sell malt and vinous beverages for consumption only on those premises, and upon satisfying the Liquor Control Board that the premises are leased, rented, or owned by the retail dealer and are devoted primarily to dispensing meals to the public, except clubs and cabarets, and that the premises have adequate and sanitary space and equipment for preparing and serving meals. The term "public" includes patrons of hotels, boarding houses, restaurants, dining cars, and similar places where meals are served. A retail dealer carrying on business in more than one place shall acquire a first-class license for each place where the retail dealer sells malt and vinous beverages. No malt or vinous beverages shall be sold by a first-class licensee to a minor. Partially consumed bottles of vinous beverages or specialty beers that were purchased with a meal may be removed from first-class licensed premises provided the beverages are recapped or resealed.~~

~~\* \* \*~~

~~(7)(A) The Liquor Control Board may grant a retail delivery permit to a second-class licensee if the licensee files an application accompanied by the fee provided in section 231 of this title.~~

~~(B)(i) A retail delivery permit holder may deliver malt beverages or vinous beverages sold from the licensed premises for consumption off the premises to the purchaser at a location in Vermont between the hours of 9:00 a.m. and 5:00 p.m.~~

~~(ii) An employee of a retail delivery permit holder shall not be permitted to make deliveries of malt beverages or vinous beverages pursuant to the permit unless he or she has completed a training program approved by the Department as required pursuant to section 239 of this chapter.~~

~~(C) The Liquor Control Board shall adopt rules to implement this subdivision (7).~~

~~Sec. 6. 7 V.S.A. § 224 is amended to read:~~

~~§ 224. THIRD-CLASS LICENSES; OPEN CONTAINERS~~

~~(a) The Liquor Control Board may grant to a person who operates a hotel, restaurant, ~~cabaret~~, or club a license of the third class if the person files an application accompanied by the license fee as provided in section 231 of this title for the premises in which the business of the hotel, restaurant, ~~cabaret~~, or club is carried on. The holder of a third-class license may sell spirits and fortified wines for consumption only on the premises covered by the license. The applicant for a third-class license shall satisfy the Liquor Control Board that the applicant is the bona fide owner or lessee of the premises and that the premises are operated for the purpose covered by the license.~~

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~~Sec. 7. 7 V.S.A. § 242 is added to read:~~

~~§ 242. DESTINATION RESORT MASTER LICENSES~~

~~(a) The Liquor Control Board may grant a destination resort master license to a person that operates a destination resort if the applicant files an application with the Liquor Control Board accompanied by the license fee provided in section 231 of this title. In addition to any information required pursuant to rules adopted by the Board, the application shall:~~

~~(1) designate all licensed caterers and commercial caterers that are proposed to be permitted to cater individual events within the boundaries of the resort pursuant to the destination resort master license;~~

~~(2) demonstrate that the destination resort:~~

~~(A) contains at least 100 acres of land; and~~

~~(B) offers at least 50 units of sleeping accommodations; and~~

~~(3) include a plan of the destination resort that sets forth:~~

~~(A) the destination resort boundaries;~~

~~(B) the ownership of the destination resort lands;~~

~~(C) the location and general design of buildings and other improvements within the resort boundaries; and~~

~~(D) the location of any sports and recreational facilities within the resort boundaries.~~

~~(b) A licensee may, upon five days' notice to the Department, amend the list of licensed caterers and commercial caterers that are designated in the destination resort master license.~~

~~(c) The holder of the destination resort master license shall, at least two days prior to the date of the event, provide the Department and local control commissioners with written notice of an event within the resort boundaries that will be catered pursuant to the master licenses. A licensed caterer or commercial caterer that is designated in the master license shall not be required to obtain a request to cater permit to cater an event occurring within the destination resort boundaries if the master licensee has provided the Department and local control commissioners with the required notice pursuant to this subsection.~~

~~(d) Real estate of a destination resort master license holder that is not contiguous with the license holder's principal premises or is located in a different municipality from the license holder's principal premises may be included in the destination resort's boundaries if it is clearly identified and delineated on the plan of the destination resort that is submitted pursuant to subsection (a) of this section.~~

~~Sec. 8. 7 V.S.A. § 424 is amended to read:~~

~~§ 424. COLLECTION~~

~~The ~~liquor control board~~ Liquor Control Board shall collect the tax imposed under section 422 of this title ~~from the purchaser thereof~~. The taxes so collected on sales by the Liquor Control Board shall be paid weekly to the state treasurer State Treasurer, and the taxes collected on sales by a manufacturer or rectifier shall be paid quarterly to the State Treasurer.~~

~~Sec. 9. 7 V.S.A. § 101 is amended to read:~~

~~§ 101. COMPOSITION OF DEPARTMENT; COMMISSIONER OF LIQUOR CONTROL; LIQUOR CONTROL BOARD~~

~~(a) The Department of Liquor Control, created by 3 V.S.A. § 212, shall include the Commissioner of Liquor Control and the Liquor Control Board.~~

~~(b)(1) The Liquor Control Board shall consist of five persons, not more than three members of which shall belong to the same political party.~~

~~(2)(A) Biennially, with With the advice and consent of the Senate, the Governor shall appoint a person as a member members of such the Board for a staggered five year term, whose staggered five-year terms.~~

~~(B) The Governor shall fill a vacancy occurring during a term by an appointment for the unexpired term in accordance with the provisions of 3 V.S.A. § 257(b).~~

~~(C) A member's term of office shall commence on February 1 of the year in which such appointment is made the member is appointed.~~

~~(3) The Governor shall biennially designate a member of such the Board to be its Chair.~~

~~Sec. 10. 7 V.S.A. § 102 is amended to read:~~

~~§ 102. REMOVAL~~

~~After Notwithstanding any provision of 3 V.S.A. § 2004 to the contrary, after notice and hearing, the governor Governor may remove a member of the liquor control board Liquor Control Board for incompetency, failure to discharge his or her duties, malfeasance, immorality, or other cause inimical to the general good of the state State. In case of such removal, the governor Governor shall appoint a person to fill the unexpired term.~~

~~Sec. 11. 7 V.S.A. § 106 is amended to read:~~

~~§ 106. COMMISSIONER OF LIQUOR CONTROL; REPORTS;  
RECOMMENDATIONS~~

~~The board shall employ an executive officer, who shall be the secretary of the board and shall be called the commissioner of liquor control. The commissioner shall be appointed for an indefinite period and shall be subject to removal upon the majority vote of the entire board. At such times and in such detail as the board directs, the commissioner shall make reports to the board concerning the liquor distribution system of the state, together with such recommendations as he deems proper for the promotion of the general good of the state.~~

~~(a)(1) With the advice and consent of the Senate, the Governor shall appoint from among no fewer than three candidates proposed by the Liquor Control Board a Commissioner of Liquor Control for a term of four years.~~

~~(2) The Board shall review the applicants for the position of Commissioner of Liquor Control and by a vote of the majority of the members of the Board shall select candidates to propose to the Governor. The Board shall consider each applicant's administrative expertise and his or her knowledge regarding the business of distributing and selling alcoholic beverages.~~

~~(b) The Commissioner shall serve at the pleasure of the Governor until the end of the term for which he or she is appointed or until a successor is appointed.~~

~~Sec. 12. 7 V.S.A. § 107 is amended to read:~~

~~§ 107. DUTIES OF COMMISSIONER OF LIQUOR CONTROL~~

~~The Commissioner of Liquor Control shall:~~

~~(1) In towns which that vote to permit the sale of spirits and fortified wines, establish such number of local agencies therein as the Board shall determine, enter into agreements for the rental of necessary and adequate quarters, and employ suitable assistants for the operation thereof. However, it shall not be obligatory upon the Liquor Control Board shall not be obligated to establish an agency in every town which that votes to permit the sale of spirits and fortified wines.~~

~~(2) Make regulations Recommend rules subject to the approval of and adoption by the Board governing the hours during which such local agencies shall be open for the sale of spirits and fortified wines and governing, the qualifications, department, and salaries of the agencies' employees, and the business, operational, financial, and revenue standards that must be met for the establishment of an agency and its continued operation.~~

~~(3) Make regulations Recommend rules subject to the approval of and adoption by the Board governing:~~

~~(A) the prices at which spirits shall be sold by local agencies, the method for their delivery, and the quantities of spirits that may be sold to any one person at any one time; and~~

~~(B) the minimum prices at which fortified wines shall be sold by local agencies and second-class licensees that hold fortified wine permits, the method for their delivery, and the quantities of fortified wines that may be sold to any one person at any one time.~~

~~(4) Supervise the quantities and qualities of spirits and fortified wines to be kept as stock in local agencies and make regulations recommend rules subject to the approval of and adoption by the Board regarding the filling of requisitions therefor on the Commissioner of Liquor Control.~~

~~(5) Purchase through the Commissioner of Buildings and General Services spirits and fortified wines for and in behalf of the Liquor Control Board, supervise the their storage thereof and the distribution to local agencies, druggists and, licensees of the third class, third-class licensees, and holders of fortified wine permits, and make regulations recommend rules subject to the approval of and adoption by the Board regarding the sale and delivery from the central storage plant.~~

~~(6) Check and audit the income and disbursements of all local agencies; and the central storage plant.~~

~~(7) Report to the Board regarding the State's liquor control system and make recommendations for the promotion of the general good of the State.~~

~~(8) Devise methods and plans for eradicating intemperance and promoting the general good of the state State and make effective such methods and plans as part of the administration of this title.~~

~~Sec. 13. RULEMAKING~~

~~On or before July 1, 2017, the Commissioner shall prepare and submit to the Liquor Control Board for its approval and adoption his or her recommendation for rules to govern the business, operational, financial, and revenue standards for local agencies as necessary to implement this act.~~

~~Sec. 14. LEGISLATIVE COUNCIL; DRAFT LEGISLATION~~

~~On or before January 15, 2017, the Legislative Council, in consultation with the Commissioner of Liquor Control, the Liquor Control Board, and the Office of the Attorney General, shall prepare and submit a draft bill to the House Committee on General, Housing and Military Affairs and the Senate Committee on Economic Development, Housing and General Affairs that makes statutory amendments of a technical nature to improve the clarity of Title 7 through the reorganization of its provisions and the modernization of its statutory language. The draft bill shall also identify all statutory sections of Title 7 that the General Assembly shall amend substantively in order to remove out-of-date and obsolete provisions or to reflect more accurately the current practices and programs of the Liquor Control Board and the Department of Liquor Control.~~

~~Sec. 15. COMMISSIONER OF LIQUOR CONTROL; CURRENT TERM; APPOINTMENT OF SUCCESSOR~~

~~The Commissioner of Liquor Control in office on the effective date of this act shall be deemed to have commenced a four-year term pursuant to 7 V.S.A. § 106(a)(1) on February 1, 2016. The Commissioner shall serve until the end of the four-year term or until a successor is appointed as provided pursuant to 7 V.S.A. § 106. Notwithstanding any provision of 3 V.S.A. § 2004 or 7 V.S.A. § 106(b) to the contrary, during this current term, the Governor may remove the Commissioner for cause after notice and a hearing.~~

~~Sec. 16. EFFECTIVE DATE~~

~~(a) This section shall take effect on July 1, 2016.~~

~~(b) In Sec. 4, 7 V.S.A. § 231, subdivisions (a)(1) (manufacturer's or rectifier's license) and (a)(11) (fourth-class license) shall take effect on July 2, 2016. The remaining provisions of Sec. 4 shall take effect on July 1, 2016.~~

~~(c) The remaining sections of this act shall take effect on July 1, 2016.~~

Sec. 1. 7 V.S.A. § 2 is amended to read:

§ 2. DEFINITIONS

The following words as used in this title, unless a contrary meaning is required by the context, shall have the following meaning:

\* \* \*

(5) ~~“Cabaret license”: a first class license or first and third class licenses where the business is devoted primarily to providing entertainment, dancing, and the sale of alcoholic beverages to the public and not the service of food. The holder of a “cabaret license” shall serve food at all times when open for business and shall have adequate and sanitary space and equipment for preparing and serving food. However, the gross receipts from the sale of food shall be less than the combined receipts from the sales of alcoholic beverages, entertainment, and dancing in the prior reporting year. All laws and regulations pertaining to a first class license or first and third class licenses shall apply to the first class or first and third class cabaret licenses. [Repealed.]~~

(6) ~~“Caterer’s license”: a license issued by the Liquor Control Board authorizing the holder of a first-class license or first- and third-class licenses for a ~~cabaret,~~ restaurant, or hotel premises to serve malt or vinous beverages, spirits, or fortified wines at a function located on premises other than those occupied by a first-, first- and third-, or second-class licensee to sell alcoholic beverages.~~

\* \* \*

(15) ~~“Manufacturer’s or rectifier’s license”: a license granted by the Liquor Control Board that permits the holder to manufacture or rectify ~~spirits or malt beverages, or vinous beverages and fortified wines, or spirits and fortified wines.~~ Spirits and fortified wines may be manufactured or rectified by a license holder for export and sale to the Liquor Control Board, or and malt beverages and vinous beverages may be manufactured or rectified by a license holder for export and sale to bottlers or wholesale dealers. This license permits a manufacturer of vinous beverages or fortified wines to receive from another manufacturer licensed in or outside this State bulk shipments of vinous beverages to rectify with the licensee’s own product, provided that the vinous beverages or fortified wines produced by a Vermont manufacturer may contain no more than 25 percent imported vinous beverage. The Liquor Control Board may grant to a licensed manufacturer or rectifier of spirits, fortified wines, vinous beverages, or malt beverages a first-class ~~restaurant or cabaret~~ license or a first- and a third-class ~~restaurant or cabaret~~ license permitting the licensee to sell alcoholic beverages to the public only at the manufacturer’s~~

*premises; which for the purposes of a manufacturer of malt beverages, includes up to two licensed establishments that are located on the contiguous real estate of the holder of the manufacturer's license, provided the manufacturer or rectifier owns or has direct control over those establishments. ~~A manufacturer of malt beverages who also holds a first class restaurant or cabaret license may serve to a customer malt beverage by the glass, not to exceed eight glasses at one time and not to exceed four ounces in each glass. The Liquor Control Board may grant to a licensed manufacturer or a rectifier of malt beverages a second-class license permitting the licensee to sell alcoholic beverages to the public anywhere on the manufacturer's or rectifier's premises. A licensed manufacturer or rectifier of vinous beverages may serve, with or without charge, at an event held on the premises of the licensee or the vineyard property at a location on the contiguous real estate of the licensee, spirits, fortified wines, vinous beverages, and malt beverages, provided the licensee gives the Department written notice of the event, including details required by the Department, at least five days before the event. Any beverages not manufactured by the licensee and served at the event shall be purchased on invoice from a licensed manufacturer or wholesale dealer or the Liquor Control Board.~~*

*(16) "Person;": as applied to licensees, means ~~individuals~~ an individual who ~~are citizens~~ is a citizen or a lawful permanent resident of the United States, ~~partnerships; a partnership~~ composed of individuals, a majority of whom are citizens or lawful permanent residents of the United States, ~~and corporations; a corporation~~ organized under the laws of this State or another state in which a majority of the directors are citizens or lawful permanent residents of the United States ~~and to; or a limited liability companies company~~ organized under the laws of this State or another state in which a majority of the members or managers are citizens or lawful permanent residents of the United States.*

\* \* \*

*(27) "Special events permit": a permit granted by the Liquor Control Board permitting a ~~person holding a manufacturer's or rectifier's license~~ licensed manufacturer or rectifier to sell by the glass or by unopened bottle spirits, fortified wines, malt beverages, or vinous beverages manufactured or rectified by the license holder at an event open to the public that has been approved by the local licensing authority. For the purposes of tasting only, the permit holder may distribute, with or without charge, beverages manufactured by the permit holder by the glass no more than two ounces per product and eight ounces total of malt beverages or vinous beverages and no more than one ounce in total of spirits or fortified wines to each individual. No more than 104 special events permits may be issued to a ~~holder of a manufacturer's or~~*

~~rectifier's license~~ licensed manufacturer or rectifier during a year. A special ~~event~~ events permit shall be valid for the duration of each public event or four days, whichever is shorter. Requests for a special events permit, accompanied by the fee as required by subdivision 231(13) of this title, shall be submitted to the Department of Liquor Control at least five days prior to the date of the event. Each manufacturer or rectifier planning to attend a single special event under this permit may be listed on a single permit. However, each attendance at a special event shall count toward the manufacturer's or rectifier's annual limit of 104 special-event permit limitation ~~special events permits~~.

(28) "Fourth-class license" or "farmers' market license": the license granted by the Liquor Control Board permitting a ~~manufacturer or rectifier of malt beverages, vinous beverages, fortified wines, or spirits~~ licensed manufacturer or rectifier to sell by the unopened container and distribute by the glass with or without charge, beverages manufactured by the licensee. No more than a combined total of ten fourth-class and farmers' market licenses may be granted to a licensed manufacturer or rectifier. At only one fourth-class license location, a ~~manufacturer or rectifier of vinous beverages, malt beverages, fortified wines, or spirits~~ licensed manufacturer or rectifier may sell by the unopened container and distribute by the glass, with or without charge, vinous beverages, malt beverages, fortified wines, or spirits produced by no more than five additional manufacturers or rectifiers, provided these beverages are purchased on invoice from the manufacturer or rectifier. A manufacturer or rectifier ~~of vinous beverages, malt beverages, fortified wines, or spirits~~ may sell its product to no more than five additional manufacturers or rectifiers. A fourth-class licensee may distribute by the glass no more than two ounces of malt beverages or vinous beverages with a total of eight ounces to each retail customer and no more than one-quarter ounce of spirits or fortified wine with a total of one ounce to each retail customer for consumption on the manufacturer's premises or at a farmers' market. A ~~fourth-class~~ fourth-class licensee may distribute by the glass up to four mixed drinks containing a combined total of no more than one ounce of spirits or fortified wine to each retail customer for consumption only on the manufacturer's premises. A farmers' market license is valid for all dates of operation for a specific farmers' market location.

\* \* \*

(36) "Outside consumption permit": a permit granted by the Liquor Control Board allowing the holder of a first-class ~~or, first-~~ and third-class ~~license holder and, or fourth-class license holder~~ to allow for consumption of alcohol in a delineated outside area.

\* \* \*

(40) "Retail delivery permit": a permit granted by the Liquor Control Board that permits a second-class licensee to deliver malt beverages or vinous beverages sold from the licensed premises for consumption off the premises to an individual who is at least 21 years of age at a physical address in Vermont.

(41) "Destination resort master license": a license granted by the Liquor Control Board pursuant to section 472 of this title permitting a destination resort to designate licensed caterers and commercial caterers that will be permitted to cater individual events within the boundaries of the resort without being required to obtain a request to cater permit for each individual event. For purposes of a destination resort master license, a "destination resort" is a resort that contains at least 100 acres of land, offers at least 50 units of sleeping accommodations, offers food and beverage service to the public for consideration, and has related sports and recreational facilities for the convenience or enjoyment of its guests. "Destination resort" does not include the University of Vermont, the Vermont State Colleges, or any other university, college, or postsecondary school.

Sec. 2. 7 V.S.A. § 67 is amended to read:

§ 67. ALCOHOLIC BEVERAGE TASTINGS; PERMIT; PENALTIES

\* \* \*

(d) Promotional alcoholic beverage tasting:

(1) At the request of a holder of a first- or second-class license, a holder of a manufacturer's, rectifier's, or wholesale dealer's license may distribute without charge to the first- or second-class licensee's management and staff, provided they are of legal drinking age and are off duty for the rest of the day, two ounces per person of vinous or malt beverages for the purpose of promoting the beverage. At the request of a holder of a third-class license, a manufacturer or rectifier of spirits or fortified wines may distribute without charge to the third-class licensee's management and staff, provided they are of legal drinking age and are off duty for the rest of the day, one-quarter ounce of each beverage and no more than a total of one ounce to each individual for the purpose of promoting the beverage. No permit is required under this subdivision, but written notice of the event shall be provided to the Department of Liquor Control at least ~~five days~~ two days prior to the date of the tasting.

\* \* \*

(e) Tastings for product quality assurance. A licensed manufacturer or rectifier may distribute to its management and staff who are directly involved in the production of the licensee's products, provided they are of legal drinking age and at the licensed premises, samples of the licensee's products for the purpose of assuring the quality of the products. Each sample of vinous or malt

beverages shall be no larger than two ounces, and each sample of spirits or fortified wines shall be no larger than one-quarter ounce. No permit is required under this subsection.

(f) Age and training of servers. No individual who is under ~~the age of~~ 18 years of age or who has not received training as required by the Department may serve alcoholic beverages at an event under this section.

(f)(g) Penalties. The holder of a permit issued under this section that provides alcoholic beverages to an underage individual or permits an individual under ~~the age of~~ 18 years of age to serve alcoholic beverages at a beverage tasting event under this section shall be fined not less than \$500.00 nor more than \$2,000.00 or imprisoned not more than two years, or both.

Sec. 3. 7 V.S.A. § 231 is amended to read:

§ 231. FEES FOR LICENSES AND PERMITS; DISPOSITION OF FEES

(a) The following fees shall be paid:

(1) For a manufacturer's or rectifier's license to manufacture or rectify malt beverages ~~and, or~~ vinous beverages and fortified wines, or ~~to manufacture or rectify~~ spirits and fortified wines, \$285.00 for ~~either~~ each license.

\* \* \*

(11) For up to ten fourth-class ~~vinous~~ licenses, \$70.00.

\* \* \*

(25) For a retail delivery permit, \$100.00.

(26) For a destination resort master license, \$1,000.00.

\* \* \*

Sec. 4. 7 V.S.A. § 222 is amended to read:

§ 222. FIRST- AND SECOND-CLASS LICENSES; GRANTING OF; SALE TO MINORS; CONTRACTING FOR FOOD SERVICE

With the approval of the Liquor Control Board, the control commissioners may grant the following licenses to a retail dealer for the premises where the dealer carries on business:

(1) Upon making application and paying the license fee provided in section 231 of this title, a first-class license which authorizes the dealer to sell malt and vinous beverages for consumption only on those premises, and upon satisfying the Liquor Control Board that the premises are leased, rented, or owned by the retail dealer and are devoted primarily to dispensing meals to the public, except clubs ~~and cabarets~~, and that the premises have adequate and

*sanitary space and equipment for preparing and serving meals. The term "public" includes patrons of hotels, boarding houses, restaurants, dining cars, and similar places where meals are served. A retail dealer carrying on business in more than one place shall acquire a first-class license for each place where the retail dealer sells malt and vinous beverages. No malt or vinous beverages shall be sold by a first-class licensee to a minor. Partially consumed bottles of vinous beverages or specialty beers that were purchased with a meal may be removed from first-class licensed premises provided the beverages are recapped or resealed.*

\* \* \*

*(7)(A)(i) The Liquor Control Board may grant a retail delivery permit to a second-class licensee if the licensee files an application accompanied by the fee provided in section 231 of this title.*

*(ii) Notwithstanding subdivision (i) of this subdivision (7)(A), the Liquor Control Board shall not grant a retail delivery permit in relation to a second-class license issued to a licensed manufacturer or rectifier for the manufacturer's or rectifier's premises.*

*(B) A retail delivery permit holder may deliver malt beverages or vinous beverages sold from the licensed premises for consumption off the premises to an individual who is at least 21 years of age subject to the following requirements:*

*(i) Deliveries shall only be made by the permit holder or an employee of the permit holder.*

*(ii) Deliveries shall only occur between the hours of 9:00 a.m. and 5:00 p.m.*

*(iii) Deliveries shall only be made to a physical address located in Vermont.*

*(iv) An employee of a retail delivery permit holder shall not be permitted to make deliveries of malt beverages or vinous beverages pursuant to the permit unless he or she has completed a training program approved by the Department as required pursuant to section 239 of this chapter.*

*(v) Malt beverages and vinous beverages delivered pursuant to a retail delivery permit shall be for personal use and not for resale.*

#### **Sec. 5. RETAIL DELIVERY PERMIT; RULEMAKING**

*On or before January 1, 2017, the Liquor Control Board shall adopt rules necessary to implement the retail delivery permit created by Sec. 4 of this act. The rules shall include:*

- (1) minimum insurance requirements for a retail delivery permit holder;
- (2) limitations on the quantity of malt beverages and vinous beverages that may be delivered;
- (3) training and age requirements for employees permitted to make deliveries; and
- (4) requirements related to age verification of delivery recipients, recordkeeping, labeling of deliveries, and the identification of delivery personnel or delivery vehicles.

Sec. 6. 7 V.S.A. § 224 is amended to read:

§ 224. THIRD-CLASS LICENSES; OPEN CONTAINERS

(a) The Liquor Control Board may grant to a person who operates a hotel, restaurant, ~~cabaret~~, or club a license of the third class if the person files an application accompanied by the license fee as provided in section 231 of this title for the premises in which the business of the hotel, restaurant, ~~cabaret~~, or club is carried on. The holder of a third-class license may sell spirits and fortified wines for consumption only on the premises covered by the license. The applicant for a third-class license shall satisfy the Liquor Control Board that the applicant is the bona fide owner or lessee of the premises and that the premises are operated for the purpose covered by the license.

\* \* \*

Sec. 7. 7 V.S.A. § 242 is added to read:

§ 242. DESTINATION RESORT MASTER LICENSES

(a) The Liquor Control Board may grant a destination resort master license to a person that operates a destination resort if the applicant files an application with the Liquor Control Board accompanied by the license fee provided in section 231 of this title. In addition to any information required pursuant to rules adopted by the Board, the application shall:

- (1) designate all licensed caterers and commercial caterers that are proposed to be permitted to cater individual events within the boundaries of the resort pursuant to the destination resort master license;
- (2) demonstrate that the destination resort:
  - (A) contains at least 100 acres of land; and
  - (B) offers at least 50 units of sleeping accommodations; and
- (3) include a plan of the destination resort that sets forth:
  - (A) the destination resort boundaries;

(B) the ownership of the destination resort lands;

(C) the location and general design of buildings and other improvements within the resort boundaries; and

(D) the location of any sports and recreational facilities within the resort boundaries.

(b) A licensee may, upon five days' notice to the Department, amend the list of licensed caterers and commercial caterers that are designated in the destination resort master license.

(c) The holder of the destination resort master license shall, at least two days prior to the date of the event, provide the Department and local control commissioners with written notice of an event within the resort boundaries that will be catered pursuant to the master license. A licensed caterer or commercial caterer that is designated in the master license shall not be required to obtain a request to cater permit to cater an event occurring within the destination resort boundaries if the master licensee has provided the Department and local control commissioners with the required notice pursuant to this subsection.

(d) Real estate of a destination resort master license holder that is not contiguous with the license holder's principal premises or is located in a different municipality from the license holder's principal premises may be included in the destination resort's boundaries if it is clearly identified and delineated on the plan of the destination resort that is submitted pursuant to subsection (a) of this section.

Sec. 8. 7 V.S.A. § 421 is amended to read:

**§ 421. TAX ON MALT AND VINOUS BEVERAGES**

*(a) Every bottler and wholesaler shall pay to the Commissioner of Taxes the sum of 26 and one-half cents per gallon for every gallon or its equivalent of malt beverage containing not more than six percent of alcohol by volume at 60 degrees Fahrenheit sold by them to retailers in the State and the sum of 55 cents per gallon for each gallon of malt beverage containing more than six percent of alcohol by volume at 60 degrees Fahrenheit and each gallon of vinous beverages sold by them to retailers in the State and shall also pay to the Liquor Control Board all fees for bottler's and wholesaler's licenses. A manufacturer or rectifier of malt or vinous beverages shall pay the taxes required by this subsection to the Commissioner of Taxes for all malt and vinous beverages manufactured or rectified by them and sold at retail.*

\* \* \*

(c)(1) For the purpose of ascertaining the amount of tax, ~~on or before the tenth day of each calendar month~~ on the filing dates set out in subdivision (2) of this subsection according to tax liability, each bottler and wholesaler shall transmit to the Commissioner of Taxes, upon a form prepared and furnished by the Commissioner, a statement or return under oath or affirmation showing the quantity of malt and vinous beverages sold by the bottler or wholesaler during the preceding ~~calendar month~~ filing period, and report any other information requested by the Commissioner accompanied by payment of the tax required by this section. The amount of tax computed under subsection (a) of this section shall be rounded to the nearest whole cent. At the same time this form is due, each bottler and wholesaler also shall transmit to the Commissioner in electronic format a separate report showing the description, quantity, and price of malt and vinous beverages sold by the bottler or wholesaler to each retail dealer as defined in subdivision 2(18) of this title; provided, however, for direct sales to retail dealers by manufacturers or rectifiers of vinous beverages, the report required by this subsection may be submitted in a nonelectronic format.

(2) Where the tax liability for the immediately preceding full calendar year has been (or would have been in cases when the business was not operating for the entire year):

(A) \$2,000.00 or less, then payment of the tax and submission of the documents required by this section shall be due and payable in quarterly installments on or before the 25th day of the calendar month succeeding the quarter ending the last day of March, June, September, and December of each year; or

(B) More than \$2,000.00, then payment of the tax and submission of the documents required by this section shall be due and payable monthly on or before the 25th (23rd of February) day of the month following the month for which the tax is due.

\* \* \*

Sec. 9. 7 V.S.A. § 423 is amended to read:

§ 423. REGULATIONS RULES

(a) The ~~tax commissioner~~ Commissioner of Taxes and the ~~liquor control board~~ Liquor Control Board shall ~~make~~ adopt such rules and regulations as they deem necessary for the proper administration and collection of the tax imposed under section 422 of this title.

(b) Notwithstanding subsection (a) of this section, where the spirits and fortified wines tax liability of a manufacturer or rectifier under section 422 of this title for the immediately preceding full calendar year has been (or would

have been in cases when the business was not operating for the entire year) \$1,000.00 or less, the tax imposed on the manufacturer or rectifier by section 422 of this title shall be due and payable in one annual payment on or before the 25th day of January. Where the spirits and fortified wines tax liability of a manufacturer or rectifier under section 422 of this title for the immediately preceding full calendar year has been (or would have been in cases when the business was not operating for the entire year) more than \$1,000.00, the tax imposed on the manufacturer or rectifier by section 422 of this title shall be due and payable in quarterly installments on or before the 25th day of the calendar month succeeding the quarter ending the last day of March, June, September, and December of each year.

Sec. 10. 7 V.S.A. § 424 is amended to read:

§ 424. COLLECTION

The ~~liquor control board~~ Liquor Control Board shall collect the tax imposed under section 422 of this title ~~from the purchaser thereof~~. The taxes ~~so collected on sales by the Liquor Control Board~~ shall be paid weekly to the ~~state treasurer~~ State Treasurer, and the taxes collected on sales by a manufacturer or rectifier shall be paid quarterly to the State Treasurer.

Sec. 11. 32 V.S.A. § 9202 is amended to read:

§ 9202. DEFINITIONS

The following words, terms, and phrases when used in this chapter shall have the meanings ascribed to them in this section unless the context clearly indicates a different meaning:

\* \* \*

(4) “Operator” means any person, or his or her agent, operating a hotel, whether as owner or proprietor or lessee, sublessee, mortgagee, licensee, or otherwise; and any person, or his or her agent, charging for a taxable meal or alcoholic beverage; and any person, or his or her agent, engaged in both of the foregoing activities. In the event that an operator is a corporation or other entity, the term “operator” shall include any officer or agent of such corporation or other entity who, as an officer or agent of the corporation, is under a duty to pay the gross receipts tax to the Commissioner as required by this chapter.

\* \* \*

(11) “Alcoholic beverages” means any malt beverages, vinous beverages, ~~or spirituous liquors~~ spirits, or fortified wines as defined in 7 V.S.A. § 2 and served on premises by a holder of a first or third class license issued under 7 V.S.A. chapter 9 for immediate consumption. “Alcoholic beverages”

*do not include any beverages served under the circumstances enumerated in subdivision 9202(10)(D)(ii) of this chapter under which beverages are excepted from the definition of “taxable meal.”*

\* \* \*

*Sec. 12. 32 V.S.A. § 9741 is amended to read:*

*§ 9741. SALES NOT COVERED*

*Retail sales and use of the following shall be exempt from the tax on retail sales imposed under section 9771 of this title and the use tax imposed under section 9773 of this title.*

\* \* \*

*(10) Sales of meals or alcoholic beverages taxed or exempted under chapter 225 of this title, or any alcoholic beverages provided for immediate consumption.*

\* \* \*

*Sec. 13. DEPARTMENT OF TAXES; STUDY OF TRANSFER OF MALT BEVERAGES BETWEEN LICENSED MANUFACTURING LOCATIONS; REPORT*

*(a) The Department of Taxes, in consultation with the Department of Liquor Control and interested stakeholders, shall study the bulk transfer of malt beverages without the payment of taxes pursuant to 7 V.S.A. § 421 between licensed manufacturers of malt beverages that are under the same ownership. In particular, the Department shall study:*

*(1) what legislative, regulatory, or administrative changes, if any, are necessary to enable the bulk transfer of malt beverages without the payment of taxes pursuant to 7 V.S.A. § 421 between licensed manufacturers of malt beverages that are under the same ownership; and*

*(2) whether permitting the bulk transfer of malt beverages without the payment of taxes pursuant to 7 V.S.A. § 421 between licensed manufacturers of malt beverages that are under the same ownership would adversely impact the State’s tax revenues.*

*(b) On or before January 15, 2017, the Department of Taxes shall submit a written report to the House Committees on General, Housing and Military Affairs and on Ways and Means, and the Senate Committees on Economic Development, Housing and General Affairs and on Finance regarding its findings and any recommendations for legislative action.*

*(c) For purposes of this section, two licensed manufacturers of malt beverages are “under the same ownership” if:*

(1) the manufacturers are part of the same company;

(2) one manufacturer owns the controlling interest in the other manufacturer; or

(3) the controlling interest in each manufacturer is owned by the same person.

Sec. 13a. 7 V.S.A. § 70 is added to read:

§ 70. MANUFACTURERS OF MALT BEVERAGES; TRANSFER OF  
MALT BEVERAGES BETWEEN LICENSED LOCATIONS

(a) A licensed manufacturer of malt beverages may transfer malt beverages to a second licensed manufacturer of malt beverages provided:

(1) the manufacturers are part of the same company;

(2) one manufacturer owns the controlling interest in the other manufacturer; or

(3) the controlling interest in each manufacturer is owned by the same person.

(b) For each transfer of malt beverages pursuant to this section, the manufacturers shall:

(1) document on invoices the amount of malt beverages transferred; and

(2) prepare and maintain records of each transfer in accordance with all applicable federal laws and regulations.

(c) The tax on malt beverages pursuant to section 421 of this title shall not be due at the time of the transfer, but shall be paid as provided in section 421 of this title when the transferred malt beverages are either:

(1) sold by a wholesaler or bottler to a retailer in this State; or

(2) sold at retail by the manufacturer that received the transferred malt beverages.

Sec. 13b. REPEAL

7 V.S.A. § 70 (transfer of malt beverages between licensed manufacturers) shall be repealed on July 1, 2017.

Sec. 14. 7 V.S.A. § 101 is amended to read:

§ 101. COMPOSITION OF DEPARTMENT; COMMISSIONER OF  
LIQUOR CONTROL; LIQUOR CONTROL BOARD

(a) The Department of Liquor Control, created by 3 V.S.A. § 212, shall include the Commissioner of Liquor Control and the Liquor Control Board.

*(b)(1) The Liquor Control Board shall consist of five persons, not more than three members of which shall belong to the same political party.*

*(2)(A) ~~Biennially, with~~ With the advice and consent of the Senate, the Governor shall appoint ~~a person as a member~~ members of such the Board for ~~a staggered five-year term, whose staggered five-year terms.~~*

*(B) The Governor shall fill a vacancy occurring during a term by an appointment for the unexpired term in accordance with the provisions of 3 V.S.A. § 257(b).*

*(C) A member's term of office shall commence on February 1 of the year in which ~~such appointment is made~~ the member is appointed.*

*(3) A member of the Board may serve for no more than two consecutive full terms. A member who is appointed to fill a vacancy occurring during a term may serve two consecutive full terms in addition to the unexpired portion of the term during which the member is first appointed.*

*(4) The Governor shall biennially designate a member of ~~such the~~ Board to be its Chair.*

*Sec. 15. 7 V.S.A. § 102 is amended to read:*

*§ 102. REMOVAL*

*After Notwithstanding any provision of 3 V.S.A. § 2004 to the contrary, after notice and hearing, the ~~governor~~ Governor may remove a member of the ~~liquor control board~~ Liquor Control Board for incompetency, failure to discharge his or her duties, malfeasance, immorality, or other cause inimical to the general good of the ~~state~~ State. In case of such removal, the ~~governor~~ Governor shall appoint a person to fill the unexpired term.*

*Sec. 16. 7 V.S.A. § 106 is amended to read:*

*§ 106. COMMISSIONER OF LIQUOR CONTROL; REPORTS;  
RECOMMENDATIONS*

*~~The board shall employ an executive officer, who shall be the secretary of the board and shall be called the commissioner of liquor control. The commissioner shall be appointed for an indefinite period and shall be subject to removal upon the majority vote of the entire board. At such times and in such detail as the board directs, the commissioner shall make reports to the board concerning the liquor distribution system of the state, together with such recommendations as he deems proper for the promotion of the general good of the state.~~*

(a)(1) With the advice and consent of the Senate, the Governor shall appoint from among no fewer than three candidates proposed by the Liquor Control Board a Commissioner of Liquor Control for a term of four years.

(2) The Board shall review the applicants for the position of Commissioner of Liquor Control and by a vote of the majority of the members of the Board shall select candidates to propose to the Governor. The Board shall consider each applicant's administrative expertise and his or her knowledge regarding the business of distributing and selling alcoholic beverages.

(b) The Commissioner shall serve at the pleasure of the Governor until the end of the term for which he or she is appointed or until a successor is appointed.

Sec. 17. 7 V.S.A. § 107 is amended to read:

**§ 107. DUTIES OF COMMISSIONER OF LIQUOR CONTROL**

The Commissioner of Liquor Control shall:

(1) In towns ~~which~~ that vote to permit the sale of spirits and fortified wines, establish ~~such number of~~ local agencies ~~therein~~ as the Board shall determine, ~~enter into agreements for the rental of necessary and adequate quarters, and employ suitable assistants for the operation thereof.~~ However, ~~it shall not be obligatory upon~~ the Liquor Control Board shall not be obligated to establish an agency in every town ~~which~~ that votes to permit the sale of spirits and fortified wines.

(2) ~~Make regulations~~ Recommend rules subject to ~~the~~ approval ~~of~~ and adoption by the Board governing the hours during which ~~such~~ local agencies shall be open for the sale of spirits and fortified wines ~~and governing~~ the qualifications, ~~department, and salaries~~ of the agencies' employees, and the business, operational, financial, and revenue standards that must be met for the establishment of an agency and its continued operation.

(3) ~~Make regulations~~ Recommend rules subject to ~~the~~ approval ~~of~~ and adoption by the Board governing:

(A) the prices at which spirits shall be sold by local agencies, the method for their delivery, and the quantities of spirits that may be sold to any one person at any one time; and

(B) the minimum prices at which fortified wines shall be sold by local agencies and second-class licensees that hold fortified wine permits, the method for their delivery, and the quantities of fortified wines that may be sold to any one person at any one time.

(4) Supervise the quantities and qualities of spirits and fortified wines to be kept as stock in local agencies and ~~make regulations~~ recommend rules subject to ~~the approval of~~ and adoption by the Board regarding the filling of requisitions therefor on the Commissioner of Liquor Control.

(5) Purchase through the Commissioner of Buildings and General Services spirits and fortified wines for and in behalf of the Liquor Control Board, supervise ~~the~~ their storage ~~thereof~~ and ~~the~~ distribution to local agencies, druggists ~~and, licensees of the third class,~~ third-class licensees, and holders of fortified wine permits, and ~~make regulations~~ recommend rules subject to ~~the approval of~~ and adoption by the Board regarding the sale and delivery from the central storage plant.

(6) Check and audit the income and disbursements of all local agencies; and the central storage plant.

(7) Report to the Board regarding the State's liquor control system and make recommendations for the promotion of the general good of the State.

(8) Devise methods and plans for eradicating intemperance and promoting the general good of the ~~state~~ State and make effective such methods and plans as part of the administration of this title.

#### Sec. 18. RULEMAKING

On or before July 1, 2017, the Commissioner shall prepare and submit to the Liquor Control Board for its approval and adoption his or her recommendation for rules to govern the business, operational, financial, and revenue standards for local agencies as necessary to implement this act.

#### Sec. 19. LEGISLATIVE COUNCIL; DRAFT LEGISLATION

On or before January 15, 2017, the Office of Legislative Council shall prepare and submit a draft bill to the House Committee on General, Housing and Military Affairs and the Senate Committee on Economic Development, Housing and General Affairs that makes statutory amendments of a technical nature to improve the clarity of Title 7 through the reorganization of its provisions and the modernization of its statutory language. The draft bill shall also identify provisions of Title 7 that may require amendment in order to remove out-of-date and obsolete provisions or to reflect more accurately the current practices and programs of the Liquor Control Board and the Department of Liquor Control. The Office of Legislative Council shall consult with the Commissioner of Liquor Control, the Liquor Control Board, and the Office of the Attorney General to identify language requiring modernization and provisions that are out-of-date, obsolete, or do not reflect accurately the current practices and programs of the Liquor Control Board and the Department of Liquor Control.

*Sec. 20. COMMISSIONER OF LIQUOR CONTROL; CURRENT TERM;  
APPOINTMENT OF SUCCESSOR*

*The Commissioner of Liquor Control in office on the effective date of this act shall be deemed to have commenced a four-year term pursuant to 7 V.S.A. § 106(a)(1) on February 1, 2016. The Commissioner shall serve until the end of the four-year term or until a successor is appointed as provided pursuant to 7 V.S.A. § 106. Notwithstanding any provision of 3 V.S.A. § 2004 or 7 V.S.A. § 106(b) to the contrary, during this current term, the Governor may remove the Commissioner for cause after notice and a hearing.*

*Sec. 21. CURRENT LIQUOR CONTROL BOARD MEMBERS; TERM  
LIMIT*

*For purposes of the term limit set forth in 7 V.S.A. § 101(b)(3), the current term of each of the Liquor Control Board members in office on the effective date of this act shall be deemed to be that member's first consecutive term as a member of the Board.*

*Sec. 22. RECAPTURE OF LOST SALES OF SPIRITS AND FORTIFIED  
WINES; DEPARTMENT OF LIQUOR CONTROL; PROPOSAL*

*(a) In order to increase revenue by recapturing sales of spirits and fortified wines that are lost to neighboring states, the Commissioner of Liquor Control shall develop a written proposal to improve, diversify, and increase the number of Vermont's agency liquor stores. The proposal shall include an optimal number of State agency liquor stores, taking into account population, geography, and proximity to Vermont's borders, and a recommendation for any legislative action that is necessary to implement it.*

*(b) The proposal also shall consider and address the following:*

*(1) The distribution of agency liquor stores in rural areas and underserved portions of the State, and whether additional stores that are permitted to carry a smaller or more limited selection of products should be added to serve such areas.*

*(2) Whether to create a new type of agency liquor store that owns the spirits and fortified wines it sells.*

*(3) Whether to permit certain agency liquor stores to decide to carry a modified selection of products subject to minimum requirements established by the Liquor Control Board.*

*(c) On or before January 15, ~~2017~~ 2018, the Commissioner shall submit the proposal to the House Committees on General, Housing and Military Affairs and on Ways and Means, and the Senate Committees on Economic Development, Housing and General Affairs and on Finance.*

*Sec. 23. EFFECTIVE DATES*

*(a) In Sec. 3, 7 V.S.A. § 231, subdivisions (a)(1) (manufacturer's or rectifier's license) and (a)(11) (fourth-class license) shall take effect on July 2, 2016. The remaining provisions of Sec. 3 shall take effect on July 1, 2016.*

*(b) In Sec. 4, 7 V.S.A. § 222, subdivision (7) shall take effect on January 1, 2017. The remaining provisions of Sec. 4 shall take effect on July 1, 2016.*

*(c) This section and the remaining sections of this act shall take effect on July 1, 2016.*