

1 Introduced by Committee on Economic Development, Housing and General
2 Affairs

3 Date:

4 Subject: Alcoholic beverages; licensing

5 Statement of purpose of bill as introduced: This bill proposes to permit a
6 manufacturer of malt beverages to obtain a first- or first- and third-class license
7 for an establishment at a separate location from the manufacturer's premises,
8 to create a farm distiller's license, to define Vermont barrel-aged maple spirits,
9 to permit both vinous beverages and fortified wines to be manufactured under
10 a single manufacturer's license, to reduce the required time for a
11 manufacturer to provide the Department with notice of a promotional tasting,
12 to limit members of the Liquor Control Board to serving no more than two
13 terms, to grant the Governor the authority to appoint the Commissioner of
14 Liquor Control from a pool of candidates proposed by the Liquor Control
15 Board, to amend the Commissioner's duties, and to require the preparation of
16 draft legislation to reorganize and modernize Title 7.

17 An act relating to alcoholic beverages

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

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

3 § 2. DEFINITIONS

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

6 * * *

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

1 to sell alcoholic beverages to the public only at the manufacturer's premises,
2 ~~which for the purposes of a manufacturer of malt beverages, includes up to two~~
3 ~~licensed establishments that are located on the contiguous real estate of the~~
4 ~~holder of the manufacturer's license, provided the manufacturer or rectifier~~
5 ~~owns or has direct control over those establishments~~ the licensed
6 establishment. In addition, the Liquor Control Board may grant a licensed
7 manufacturer of malt beverages that manufactures no more than 60,000 barrels
8 of malt beverages per year a first-class license or a first- and a third-class
9 license for a second establishment, which may be located at the manufacturer's
10 premises or at a location separate from the manufacturer's premises, provided
11 the manufacturer owns or has direct control over the licensed establishment. A
12 ~~manufacturer of malt beverages who also holds a first-class restaurant or~~
13 ~~cabaret license may serve to a customer malt beverage by the glass, not to~~
14 ~~exceed eight glasses at one time and not to exceed four ounces in each glass.~~
15 The Liquor Control Board may grant to a licensed manufacturer or a rectifier
16 of malt beverages a second-class license permitting the licensee to sell
17 alcoholic beverages to the public anywhere on the manufacturer's or rectifier's
18 premises. A licensed manufacturer or rectifier of vinous beverages may serve,
19 with or without charge, at an event held on premises of the licensee or the
20 vineyard property, spirits, fortified wines, vinous beverages, and malt
21 beverages, provided the licensee gives the Department written notice of the

1 event, including details required by the Department, at least five days before
2 the event. Any beverages not manufactured by the licensee and served at the
3 event shall be purchased on invoice from a licensed manufacturer or wholesale
4 dealer or the Liquor Control Board.

5 * * *

6 (27) “Special events permit”: a permit granted by the Liquor Control
7 Board permitting a ~~person holding a manufacturer’s or rectifier’s license~~
8 licensed manufacturer, rectifier, or a farm distiller to sell by the glass or by
9 unopened bottle spirits, fortified wines, malt beverages, or vinous beverages
10 manufactured or rectified by the license holder at an event open to the public
11 that has been approved by the local licensing authority. For the purposes of
12 tasting only, the permit holder may distribute, with or without charge,
13 beverages manufactured by the permit holder by the glass no more than two
14 ounces per product and eight ounces total of malt beverages or vinous
15 beverages and no more than one ounce in total of spirits or fortified wines to
16 each individual. No more than 104 special events permits may be issued to a
17 ~~holder of a manufacturer’s or rectifier’s license~~ licensed manufacturer,
18 rectifier, or farm distiller during a year. A special event permit shall be valid
19 for the duration of each public event or four days, whichever is shorter.
20 Requests for a special events permit, accompanied by the fee as required by
21 subdivision 231(13) of this title, shall be submitted to the Department of

1 Liquor Control at least five days prior to the date of the event. Each
2 manufacturer ~~or~~, rectifier, or farm distiller planning to attend a single special
3 event under this permit may be listed on a single permit. However, each
4 attendance at a special event shall count toward the manufacturer's ~~or~~,
5 rectifier's, or farm distiller's 104 special-event-permit limitation.

6 (28) “Fourth-class license” or “farmers’ market license”: the license
7 granted by the Liquor Control Board permitting a ~~manufacturer or rectifier of~~
8 ~~malt beverages, vinous beverages, fortified wines, or spirits~~ licensed
9 manufacturer, rectifier, or farm distiller to sell by the unopened container and
10 distribute by the glass with or without charge, beverages manufactured by the
11 licensee. No more than a combined total of ten fourth-class and farmers’
12 market licenses may be granted to a licensed manufacturer ~~or~~, rectifier, or farm
13 distiller. At only one fourth-class license location, a ~~manufacturer or rectifier~~
14 ~~of vinous beverages, malt beverages, fortified wines, or spirits~~ licensed
15 manufacturer, rectifier, or farm distiller may sell by the unopened container
16 and distribute by the glass, with or without charge, vinous beverages, malt
17 beverages, fortified wines, or spirits produced by no more than five additional
18 manufacturers ~~or~~, rectifiers, or farm distillers, provided these beverages are
19 purchased on invoice from the manufacturer ~~or~~, rectifier, or farm distiller. A
20 manufacturer ~~or~~, rectifier of vinous beverages, malt beverages, fortified wines,
21 ~~or spirits, or farm distiller~~ may sell its product to no more than five additional

1 manufacturers ~~or~~, rectifiers, or farm distillers. A fourth-class licensee may
2 distribute by the glass no more than two ounces of malt beverages or vinous
3 beverages with a total of eight ounces to each retail customer and no more than
4 one-quarter ounce of spirits or fortified wine with a total of one ounce to each
5 retail customer for consumption on the manufacturer’s premises or at a
6 farmers’ market. A fourth class licensee may distribute by the glass up to four
7 mixed drinks containing a combined total of no more than one ounce of spirits
8 or fortified wine to each retail customer for consumption only on the
9 manufacturer’s premises. A farmers’ market license is valid for all dates of
10 operation for a specific farmers’ market location.

11 * * *

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

16 * * *

17 (40) “Farm distiller’s license”: a license granted by the Liquor Control
18 Board that permits the holder to manufacture Vermont spirits and Vermont
19 barrel-aged maple spirits for export and for sale as provided in section 242 of
20 this title.

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

5 (42) “Vermont barrel-aged maple spirits”: spirits that are manufactured
6 from Vermont maple sap and aged in oak barrels as provided in section 70 of
7 this title.

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

9 § 242. FARM DISTILLER’S LICENSES

10 (a) The Liquor Control Board may grant a farm distiller’s license to a
11 person if the person files an application accompanied by the license fee
12 provided in section 231 of this title for the premises in which the farm
13 distillery will be operated. An applicant for a farm distiller’s license shall
14 satisfy the Liquor Control Board that the applicant is the owner or lessee of the
15 premises and that the premises are operated for the purpose covered by the
16 license.

17 (b) The holder of a farm distiller’s license may sell a combined total of no
18 more than 20,000 gallons per year of Vermont spirits and Vermont barrel-aged
19 maple spirits.

20 (c) A licensed farm distiller shall be permitted to sell Vermont spirits and
21 Vermont barrel-aged maple spirits:

1 (1) to the Liquor Control Board; or

2 (2) from the licensed premises:

3 (A) by the unopened container for consumption off the
4 premises; or

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

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

10 (2) A licensed farm distiller may distribute by the glass, without charge,
11 and for consumption on the licensed premises up to four mixed drinks
12 containing a combined total of no more than one ounce of Vermont spirits or
13 Vermont barrel-aged maple spirits, or both, manufactured by the licensee.

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

19 (f) The Liquor Control Board may approve up to one branch location for
20 the farm distillery as part of a farm distiller's license. An applicant wishing to
21 operate a branch location shall satisfy the Liquor Control Board that the

1 applicant is the owner or lessee of the branch location’s premises and that the
2 branch location’s premises are operated for the purpose covered by the license.

3 If approved by the Liquor Control Board, the branch location shall be
4 considered part of the licensed premises and subject to all applicable
5 requirements of this section. All activities permitted at the licensed farm
6 distillery shall also be permitted at the approved branch location.

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

8 § 70. VERMONT BARREL-AGED MAPLE SPIRITS

9 (a) Spirits may not be advertised, described, labeled, named, sold, or
10 referred to for marketing or sales purposes as “Vermont barrel-aged maple
11 spirits” unless all the following conditions are satisfied:

12 (1) the spirits are manufactured in Vermont;

13 (2) the sole ingredient of the spirits, exclusive of water, is maple sap that
14 was entirely produced within Vermont; and

15 (3) the spirits are aged in oak barrels.

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

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

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

2 § 67. ALCOHOLIC BEVERAGE TASTINGS; PERMIT; PENALTIES

3 * * *

4 (d) Promotional alcoholic beverage tasting:

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

19 * * *

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

2 § 230. RESTRICTIONS; FINANCIAL INTERESTS; DISPLAY OF
3 LICENSE; EMPLOYEES

4 (a)(1)(A) ~~Except as provided in subdivision 2(15) of this title, a~~ A bottler,
5 manufacturer, ~~or~~ rectifier, or farm distiller licensed in Vermont or in another
6 state, a certificate of approval holder, or wholesale dealer shall not have any
7 financial interest in the business of a first-, second-, or third-class license, and
8 a first-, second-, or third-class licensee may not have any financial interest in
9 the business of a bottler, manufacturer, ~~or~~ rectifier, or farm distiller licensed in
10 Vermont or in another state, a certificate of approval holder, or wholesale
11 dealer.

12 (B) However, a manufacturer of malt beverages may have a
13 financial interest in the business of a first- or second-class license, and a
14 first- or second-class licensee may have a financial interest in the business of a
15 manufacturer of malt beverages, provided a first- or second-class licensee does
16 not purchase, possess, or sell the malt beverages produced by a manufacturer
17 with which there is any financial interest.

18 (2) All licenses or permits granted under this title shall be conspicuously
19 displayed on the premises for which the license or permit is granted.

20 (3)(A) Any manufacturer of malt beverages that has a financial interest
21 in a first- or second-class licensee and any first- or second-class licensee that

1 has a financial interest in a manufacturer of malt beverages, as permitted under
2 this section, shall provide to the Department of Liquor Control and the
3 applicable wholesale dealer written notification of that financial interest and
4 the licensees involved.

5 (B) A wholesale dealer shall not be in violation of this section for
6 delivering malt beverages to a first- or second-class licensee that is prohibited
7 from purchasing, possessing, or selling those malt beverages under this section.

8 * * *

9 (c) Subdivision (a)(1) of this section shall not apply with respect to any
10 establishment holding a first-, second-, or third-class license that is operated by
11 a manufacturer or rectifier pursuant to the provisions of subdivision 2(15) of
12 this title.

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

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

15 (a) The following fees shall be paid:

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

19 * * *

20 (11) For up to ten fourth-class ~~vinous~~ licenses, \$65.00.

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Sec. 8. 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 terms.

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

1 Sec. 9. 7 V.S.A. § 106 is amended to read:

2 § 106. COMMISSIONER OF LIQUOR CONTROL; REPORTS;

3 RECOMMENDATIONS

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

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

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

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

4 Sec. 10. 7 V.S.A. § 107 is amended to read:

5 § 107. DUTIES OF COMMISSIONER OF LIQUOR CONTROL

6 The Commissioner of Liquor Control shall:

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

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

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

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

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

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

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

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

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

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

6 Sec. 11. RULEMAKING

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

11 Sec. 12. LEGISLATIVE COUNCIL; DRAFT LEGISLATION

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

1 practices and programs of the Liquor Control Board and the Department of
2 Liquor Control.

3 Sec. 13. EFFECTIVE DATE

4 This act shall take effect on July 1, 2016.

DRAFT