

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 create a farm
6 distiller's license, to define Vermont barrel aged maple spirits, to permit both
7 vinous beverages and fortified wines to be manufactured under a single
8 manufacturer's license, to reduce the required time for a manufacturer to
9 provide the Department with notice of a promotional tasting, to limit members
10 of the Liquor Control Board to serving no more than two terms, to grant the
11 Governor the authority to appoint the Commissioner of Liquor Control from a
12 pool of candidates proposed by the Liquor Control Board, to amend the
13 Commissioner's duties, and to require the preparation of draft legislation to
14 reorganize and modernize Title 7.

15 An act relating to alcoholic beverages

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

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

18 § 2. DEFINITIONS

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

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(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[Repealed.]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~~

1 ~~or~~ malt beverages, or vinous beverages and fortified wines, or spirits and
2 fortified wines. Spirits and fortified wines may be manufactured or rectified
3 by a license holder for export and sale to the Liquor Control Board, ~~or~~ and malt
4 beverages and vinous beverages may be manufactured or rectified by a license
5 holder for export and sale to bottlers or wholesale dealers. This license permits
6 a manufacturer of vinous beverages or fortified wines to receive from another
7 manufacturer licensed in or outside this State bulk shipments of vinous
8 beverages to rectify with the licensee's own product, provided that the vinous
9 beverages or fortified wines produced by a Vermont manufacturer may contain
10 no more than 25 percent imported vinous beverage. The Liquor Control Board
11 may grant to a licensed manufacturer or rectifier of spirits, fortified wines,
12 vinous beverages, or malt beverages a first-class ~~restaurant or cabaret~~ license
13 or a first- and a third-class ~~restaurant or cabaret~~ license permitting the licensee
14 to sell alcoholic beverages to the public only at the manufacturer's premises,
15 which for the purposes of a manufacturer of malt beverages, includes up to two
16 licensed establishments that are located on the contiguous real estate of the
17 holder of the manufacturer's license, provided the manufacturer or rectifier
18 owns or has direct control over those establishments. A manufacturer of malt
19 beverages who also holds a first-class ~~restaurant or cabaret~~ license may serve
20 to a customer malt beverage by the glass, not to exceed eight glasses at one
21 time and not to exceed four ounces in each glass. The Liquor Control Board

1 may grant to a licensed manufacturer or a rectifier of malt beverages a second-
2 class license permitting the licensee to sell alcoholic beverages to the public
3 anywhere on the manufacturer's or rectifier's premises. A licensed
4 manufacturer or rectifier of vinous beverages may serve, with or without
5 charge, at an event held on premises of the licensee or the vineyard property,
6 spirits, fortified wines, vinous beverages, and malt beverages, provided the
7 licensee gives the Department written notice of the event, including details
8 required by the Department, at least five days before the event. Any beverages
9 not manufactured by the licensee and served at the event shall be purchased on
10 invoice from a licensed manufacturer or wholesale dealer or the Liquor Control
11 Board.

12 * * *

13 (27) "Special events permit": a permit granted by the Liquor Control
14 Board permitting a person holding a manufacturer's or rectifier's license
15 licensed manufacturer, rectifier, or a farm distiller to sell by the glass or by
16 unopened bottle spirits, fortified wines, malt beverages, or vinous beverages
17 manufactured or rectified by the license holder at an event open to the public
18 that has been approved by the local licensing authority. For the purposes of
19 tasting only, the permit holder may distribute, with or without charge,
20 beverages manufactured by the permit holder by the glass no more than two
21 ounces per product and eight ounces total of malt beverages or vinous

1 beverages and no more than one ounce in total of spirits or fortified wines to
2 each individual. No more than 104 special events permits may be issued to a
3 ~~holder of a manufacturer's or rectifier's license~~ licensed manufacturer,
4 rectifier, or farm distiller during a year. A special event permit shall be valid
5 for the duration of each public event or four days, whichever is shorter.

6 Requests for a special events permit, accompanied by the fee as required by
7 subdivision 231(13) of this title, shall be submitted to the Department of
8 Liquor Control at least five days prior to the date of the event. Each
9 ~~manufacturer or~~ rectifier, or farm distiller planning to attend a single special
10 event under this permit may be listed on a single permit. However, each
11 attendance at a special event shall count toward the ~~manufacturer's or~~
12 rectifier's, or farm distiller's 104 special-event-permit limitation.

13 (28) "Fourth-class license" or "farmers' market license": the license
14 granted by the Liquor Control Board permitting a ~~manufacturer or rectifier of~~
15 ~~malt beverages, vinous beverages, fortified wines, or spirits~~ licensed
16 manufacturer, rectifier, or farm distiller to sell by the unopened container and
17 distribute by the glass with or without charge, beverages manufactured by the
18 licensee. No more than a combined total of ten fourth-class and farmers'
19 market licenses may be granted to a licensed ~~manufacturer or~~ rectifier, or farm
20 distiller. At only one fourth-class license location, a ~~manufacturer or rectifier~~
21 ~~of vinous beverages, malt beverages, fortified wines, or spirits~~ licensed

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

18 * * *

19 (36) "Outside consumption permit": a permit granted by the Liquor
20 Control Board allowing the holder of a first-class ~~or~~, first- and third-class

1 ~~license holder and~~, fourth-class license holder, or farm distiller's license to
2 allow for consumption of alcohol in a delineated outside area.

3 * * *

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

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

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

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

16 § 242. FARM DISTILLER'S LICENSES

17 (a) The Liquor Control Board may grant a farm distiller's license to a
18 person if the person files an application accompanied by the license fee
19 provided in section 231 of this title for the premises in which the farm
20 distillery will be operated. An applicant for a farm distiller's license shall
21 satisfy the Liquor Control Board that the applicant is the owner or lessee of the

1 premises and that the premises are operated for the purpose covered by the
2 license.

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

6 (c) A licensed farm distiller shall be permitted to sell Vermont spirits and
7 Vermont barrel aged maple spirits:

8 (1) to the Liquor Control Board; or

9 (2) from the licensed premises:

10 (A) by the unopened container for consumption off the
11 premises; or

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

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

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

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

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

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

16 § 70. VERMONT BARREL AGED MAPLE SPIRITS

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

20 (1) the spirits are manufactured in Vermont;

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

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

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

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

9 Sec. 4. 7 V.S.A. § 71 is added to read:

10 § 71. CERTIFICATION OF VERMONT SPIRITS AND VERMONT

11 BARREL AGED MAPLE SPIRITS

12 (a) A licensed manufacturer or farm distiller that manufactures Vermont
13 spirits or Vermont barrel aged maple spirits shall annually certify on a form
14 prescribed by the Secretary of Agriculture, Food and Markets that the Vermont
15 spirits or Vermont barrel aged maple spirits manufactured by the licensee
16 contain the required amount of Vermont ingredients pursuant to section 70 of
17 this chapter and subdivisions 2(41) and (42) of this title.

18 (b) A licensed manufacturer and farm distillers that manufacture Vermont
19 spirits or Vermont barrel aged maple spirits shall maintain records specified by
20 the Secretary of Agriculture, Food and Markets to demonstrate compliance

1 with the requirements relating to Vermont ingredients as set forth in section 70
2 of this chapter and subdivisions 2(41) and (42) of this title.

3 (c) The Secretary of Agriculture, Food and Markets or his or her inspector
4 may enter upon the premises of a licensee, at reasonable times, for purposes of
5 inspecting the premises, records, and inventory to determine whether the
6 licensee is in compliance with the requirements relating to Vermont
7 ingredients as set forth in section 70 of this chapter and subdivisions 2(41) and
8 (42) of this title.

9 (d) The Secretary of Agriculture, Food and Markets may adopt rules to
10 implement this section.

11 Sec. 5. 7 V.S.A. § 67 is amended to read:

12 § 67. ALCOHOLIC BEVERAGE TASTINGS; PERMIT; PENALTIES

13 * * *

14 (d) Promotional alcoholic beverage tasting:

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

1 distribute without charge to the third-class licensee's management and staff,
2 provided they are of legal drinking age and are off duty for the rest of the day,
3 one-quarter ounce of each beverage and no more than a total of one ounce to
4 each individual for the purpose of promoting the beverage. No permit is
5 required under this subdivision, but written notice of the event shall be
6 provided to the Department of Liquor Control at least ~~five days~~ one day prior
7 to the date of the tasting.

8 * * *

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

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

11 (a) The following fees shall be paid:

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

15 * * *

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

17 * * *

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

19 * * *

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

2 § 239. LICENSEE EDUCATION

3 (a) A new first-class, second-class, third-class, fourth-class, ~~or~~ farmers'
4 market, or farm distiller's license shall not be granted until the applicant has
5 met with a liquor control investigator or training specialist for the purpose of
6 being informed of the Vermont liquor laws, and rules, ~~and regulations~~
7 pertaining to the purchase, storage, and sale of ~~alcohol~~ alcoholic beverages.
8 A corporation, partnership, or association shall designate a director, partner, or
9 manager who shall comply with the terms of this subsection.

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

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1 Sec. 8. 7 V.S.A. § 222 is amended to read:

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

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

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

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Sec. 9. 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. 10. 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.

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

4 (B) The Governor shall fill a vacancy occurring during a term by an
5 appointment for the unexpired term in accordance with the provisions of
6 3 V.S.A. § 257(b).

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

9 (3) A member of the Board may serve for no more than two terms.

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

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

13 § 106. COMMISSIONER OF LIQUOR CONTROL; REPORTS;

14 RECOMMENDATIONS

15 ~~The board shall employ an executive officer, who shall be the secretary of~~
16 ~~the board and shall be called the commissioner of liquor control. The~~
17 ~~commissioner shall be appointed for an indefinite period and shall be subject to~~
18 ~~removal upon the majority vote of the entire board. At such times and in such~~
19 ~~detail as the board directs, the commissioner shall make reports to the board~~
20 ~~concerning the liquor distribution system of the state, together with such~~

1 ~~recommendations as he deems proper for the promotion of the general good of~~
2 ~~the state.~~

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

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

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

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

16 § 107. DUTIES OF COMMISSIONER OF LIQUOR CONTROL

17 The Commissioner of Liquor Control shall:

18 (1) In towns ~~which~~ that vote to permit the sale of spirits and fortified
19 wines, establish ~~such number of~~ local agencies ~~therein~~ as the Board shall
20 determine, ~~enter into agreements for the rental of necessary and adequate~~
21 ~~quarters, and employ suitable assistants for the operation thereof.~~ However, it

1 ~~shall not be obligatory upon~~ the Liquor Control Board shall not be obligated to
2 establish an agency in every town ~~which~~ that votes to permit the sale of spirits
3 and fortified wines.

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

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

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

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

19 (4) Supervise the quantities and qualities of spirits and fortified wines to
20 be kept as stock in local agencies and ~~make regulations~~ recommend rules

1 subject to ~~the~~ approval of and adoption by the Board regarding the filling of
2 requisitions therefor on the Commissioner of Liquor Control.

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

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

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

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

17 Sec. 13. RULEMAKING

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

1 Sec. 14. LEGISLATIVE COUNCIL; DRAFT LEGISLATION

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

14 Sec. 15. EFFECTIVE DATE

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