

1 TO THE HONORABLE SENATE:

2 The Committee on Economic Development, Housing and General Affairs to
3 which was referred Senate Bill No. 250 entitled “An act relating to farm
4 distilleries and Vermont barrel aged maple spirits” respectfully reports that it
5 has considered the same and recommends that the bill be amended by striking
6 out all after the enacting clause and inserting in lieu thereof the following:

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

8 § 2. DEFINITIONS

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

11 * * *

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

1 ~~shall apply to the first class or first- and third class cabaret licenses.~~

2 [Repealed.]

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

9 * * *

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

1 may grant to a licensed manufacturer or rectifier of spirits, fortified wines,
2 vinous beverages, or malt beverages a first-class ~~restaurant or cabaret~~ license
3 or a first- and a third-class ~~restaurant or cabaret~~ license permitting the licensee
4 to sell alcoholic beverages to the public only at the manufacturer's premises;
5 which for the purposes of a manufacturer of malt beverages, includes up to two
6 licensed establishments that are located on the contiguous real estate of the
7 holder of the manufacturer's license, provided the manufacturer or rectifier
8 owns or has direct control over those establishments. ~~A manufacturer of malt~~
9 ~~beverages who also holds a first-class restaurant or cabaret license may serve~~
10 ~~to a customer malt beverage by the glass, not to exceed eight glasses at one~~
11 ~~time and not to exceed four ounces in each glass.~~ The Liquor Control Board
12 may grant to a licensed manufacturer or a rectifier of malt beverages a second-
13 class license permitting the licensee to sell alcoholic beverages to the public
14 anywhere on the manufacturer's or rectifier's premises. A licensed
15 manufacturer or rectifier ~~of vinous beverages~~ may serve, with or without
16 charge, at an event held on the premises of the licensee or the vineyard
17 property at a location on the contiguous real estate of the licensee, spirits,
18 fortified wines, vinous beverages, and malt beverages, provided the licensee
19 gives the Department written notice of the event, including details required by
20 the Department, at least five days before the event. Any beverages not
21 manufactured by the licensee and served at the event shall be purchased on

1 invoice from a licensed manufacturer or wholesale dealer or the Liquor Control
2 Board.

3 * * *

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

1 at a special event shall count toward the manufacturer's or rectifier's annual
2 limit of 104 special-event permit limitation special events permits.

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

1 manufacturer's premises or at a farmers' market. A ~~fourth-class~~ fourth-class
2 licensee may distribute by the glass up to four mixed drinks containing a
3 combined total of no more than one ounce of spirits or fortified wine to each
4 retail customer for consumption only on the manufacturer's premises. A
5 farmers' market license is valid for all dates of operation for a specific farmers'
6 market location.

7 * * *

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

12 * * *

13 (40) "Retail gift basket permit": a permit granted by the Liquor Control
14 Board that permits a second-class licensee to package, sell, and deliver to the
15 public gift baskets containing malt beverages or vinous beverages for
16 consumption off the premises.

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

1 For purposes of a destination resort master license, a “destination resort” is a
2 resort that contains at least 100 acres of land, offers at least 50 units of sleeping
3 accommodations, offers food and beverage service to the public for
4 consideration, and has related sports and recreational facilities for the
5 convenience or enjoyment of its guests.

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

7 § 67. ALCOHOLIC BEVERAGE TASTINGS; PERMIT; PENALTIES

8 * * *

9 (d) Promotional alcoholic beverage tasting:

10 (1) At the request of a holder of a first- or second-class license, a holder
11 of a manufacturer’s, rectifier’s, or wholesale dealer’s license may distribute
12 without charge to the first- or second-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 two ounces per person of vinous or malt beverages for the purpose of
15 promoting the beverage. At the request of a holder of a third-class license, a
16 manufacturer or rectifier of spirits or fortified wines may distribute without
17 charge to the third-class licensee’s management and staff, provided they are of
18 legal drinking age and are off duty for the rest of the day, one-quarter ounce of
19 each beverage and no more than a total of one ounce to each individual for the
20 purpose of promoting the beverage. No permit is required under this

1 subdivision, but written notice of the event shall be provided to the Department
2 of Liquor Control at least ~~five days~~ two days prior to the date of the tasting.

3 * * *

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

12 (f) Age and training of servers. No individual who is under ~~the age of~~
13 18 years of age or who has not received training as required by the Department
14 may serve alcoholic beverages at an event under this section.

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

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

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

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

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

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

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

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

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

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

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

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

20 (a) The following fees shall be paid:

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

4 * * *

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

6 * * *

7 (25) For a retail gift basket permit, \$100.00.

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

9 * * *

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

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

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

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

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

10 * * *

11 (7)(A) The Liquor Control Board may grant a retail gift basket permit to
12 a second-class licensee if the licensee files an application accompanied by the
13 license fee as provided in section 231 of this title. The holder of a retail gift
14 basket permit may sell to the public gift baskets containing up to four bottles of
15 malt beverages or vinous beverages for consumption off the licensed premises.

16 (B) The holder of a retail gift basket permit may deliver purchased
17 gift baskets to a Vermont consumer if the permit holder:

18 (i) clearly labels each gift basket and all containers of malt
19 beverages or vinous beverages delivered pursuant to this subdivision with the
20 words “contains alcohol; signature of individual age 21 or older required for
21 delivery”;

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

2 § 242. DESTINATION RESORT MASTER LICENSES

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

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

11 (2) demonstrate that the destination resort:

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

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

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

15 (A) the destination resort boundaries;

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

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

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

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

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

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

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

2 § 424. COLLECTION

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

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

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

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

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

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

18 (B) The Governor shall fill a vacancy occurring during a term by an
19 appointment for the unexpired term in accordance with the provisions of
20 3 V.S.A. § 257(b).

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

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

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

6 § 102. REMOVAL

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

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

14 § 106. COMMISSIONER OF LIQUOR CONTROL; REPORTS;

15 RECOMMENDATIONS

16 ~~The board shall employ an executive officer, who shall be the secretary of~~
17 ~~the board and shall be called the commissioner of liquor control. The~~
18 ~~commissioner shall be appointed for an indefinite period and shall be subject to~~
19 ~~removal upon the majority vote of the entire board. At such times and in such~~
20 ~~detail as the board directs, the commissioner shall make reports to the board~~
21 ~~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. COMMISSIONER OF LIQUOR CONTROL; CURRENT TERM;
15 APPOINTMENT OF SUCCESSOR

16 The Commissioner of Liquor Control in office on the effective date of this
17 act shall be deemed to have commenced a four-year term pursuant to 7 V.S.A.
18 § 106(a)(1) on February 1, 2016. The Commissioner shall serve until the end
19 of the four-year term or until a successor is appointed as provided pursuant to
20 7 V.S.A. § 106. Notwithstanding any provision of 3 V.S.A. § 2004 or

1 7 V.S.A. § 106(b) to the contrary, during this current term, the Governor may
2 remove the Commissioner for cause after notice and a hearing.

3 Sec. 16. EFFECTIVE DATE

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

5 and that after passage the title of the bill be amended to read: “An act relating
6 to alcoholic beverages”

7
8 (Committee vote: _____)

9 _____
10 Senator _____

11 FOR THE COMMITTEE

