

**Donations to Non-Profits**—Currently, spirit manufacturers can only donate to non-profit organizations if the spirits are to be raffled and not auctioned. Spirit manufactures must turn down requests for donations when auctions are involved and must explain why this is not possible. DSCV is asking for parity with malt and vinous manufacturers and proposes the following language.

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

§ 4. NONPROFIT ORGANIZATIONS; WINE AND BEER AUCTIONS;  
FUNDRAISING

(a) A nonprofit organization qualified for tax exempt status pursuant to Section 501(c) of the federal Internal Revenue Code, as amended, in the discretion of the ~~commissioner~~ Commissioner, may auction vinous or malt alcoholic beverages, ~~or both~~, to the public without a license, provided that:

(1) Prior to the auction, the organization provides written notification of the auction accompanied by documentation of its nonprofit status satisfactory to the ~~commissioner~~ Commissioner.

(2) The ~~commissioner~~ Commissioner approves the organization's nonprofit qualifications and the organization's right proposal to auction vinous or malt alcoholic beverages.

(3) The profits from the ~~auction sale of~~ auctioned alcoholic beverages are used solely for the expenses of the nonprofit organization related to conduct ~~conducting the sale~~ auction or for the nonprofit purposes of the organization.

(b) A person who donates vinous or malt alcoholic beverages to a nonprofit organization for an auction under this section is not required to be licensed under this ~~chapter~~ title.

(c) A licensee under this title may donate **alcoholic** beverages to a nonprofit organization pursuant to this section, provided the licensee pays to the ~~state~~ State all the taxes that would be due as if the beverages had been sold in the course of the licensee's business.

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**Special Venue Serving Permit**—Spirits manufacturers would like to be included along with beer and wine producers to have their products sold during Special Venue permit events.

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

## § 2. DEFINITIONS

(34) “Special venue serving permit” means a permit granted by the Department of Liquor Control permitting an art gallery, bookstore, public library, or museum to conduct an event at which **alcoholic** beverages or both are served by the glass to the public. As used in this section, “art gallery” means a fixed establishment whose primary purpose is to exhibit or offer for sale works of art; “bookstore” means a fixed establishment whose primary purpose is to offer books for sale; “public library” has the same meaning as in 20 22 V.S.A. § 101; and “museum” has the same meaning as in 27 V.S.A. § 1151.

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Sec. 51. 7 V.S.A. § 254 is added to read: §

## 254. SPECIAL VENUE SERVING PERMITS

## Replace Malt and Vinous with “Alcoholic Beverages”

**Fourth-Class License**—Fourth-Class licenses are crucial to direct-to-customer retail sales the

Sec. 37. 7 V.S.A. § 241 is redesignated and amended to read:

§ 241 ~~224~~. FOURTH-CLASS LICENSE; ~~RULES:~~  
~~ADVERTISING—~~

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(b)(2) At one fourth-class license location that shall be designated by the licensee, a licensee may distribute, by the glass, mixed drinks containing spirits or fortified wine to retail customers for consumption only on the licensed premises. A fourth-class license holder shall be subject to the provisions of this title and the rules of the Board regarding the service of alcoholic beverages

**Special Event Permits**—New §33 and current §2(27) allow manufacturers to sell by the unopened bottle during a Special Event. New §252, as proposed, does not contain this provision. Additionally, current §2(27) places an amount restriction on all beverages when the event is for tasting purposes only; “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.” New §252, as proposed, applies these restrictions to all pouring during a special event. DSCV suggests the following language as a replacement.

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Sec. 49. 7 V.S.A. § 252 is added to read:

§ 252. SPECIAL EVENT PERMITS

(a)(1) The Department of Liquor Control may issue a special event permit if the application is submitted to the Department of Liquor Control with the fee as required by section 204 of this title at least five days prior to the date of the event.

(2) A special event permit shall be valid for the duration of each public event or four days, whichever is shorter.

(b) A special event permit holder may distribute beverages manufactured by the permit holder with or without charge, provided the beverages are distributed:

(1) by the glass;

(2) by the unopened bottle; or

(3) for the purposes of tasting only: in quantities of 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

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**Manufacturer’s Permit**—New §271, and current §2(15), allow for all manufacturers to serve beverages on the premises or the “contiguous real estate of the licensee”. Manufacturers whose manufacturing premises is not suitable to public visits coupled with the highly technical and dangerous nature of distilling are not able to offer full servings or tastings of their beverages to on-site visitors.

Allowing manufacturers to designate one Fourth-Class License location to receive the benefits of an on-site event would allow for more interaction with the buying public and would ease the burden of filing 52 weekly special event permits.

Sec. 56. 7 V.S.A. § 271 is added to read:

§ 271. MANUFACTURER’S OR RECTIFIER’S LICENSE

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(f)(1) A licensed manufacturer or rectifier may serve alcoholic beverages with or without charge at an event held on the premises of the licensee, ~~or~~ at a location on the contiguous real estate of the licensee, ~~or~~ at one Fourth-Class License location that the licensee shall designate provided the licensee at least five days before the event gives the Department written notice of the event, including details required by the Department.

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**Tax on Distilled Spirits**—The upper tier of the retail tax on spirits presents a steep cliff if a manufacturer’s sales reach over \$750,000. If a spirits manufacturer sells \$749,999 worth of spirits at retail the tax on those sales would be approximately \$50,000, if the sales are \$750,000 or over those taxes would jump to a minimum of around \$187,500. We ask the floor amount for the 3<sup>rd</sup> tier be raised \$1.5M. §422 was left unchanged and is not part of the re-draft.

**§ 422. Tax on spirits and fortified wines**

(a) A tax is assessed on the gross revenue from the sale of spirits and fortified wines in the State of Vermont by the Liquor Control Board or the retail sale of spirits and fortified wines in Vermont by a manufacturer or rectifier of spirits or fortified wines, in accordance with the provisions of this title. The tax shall be at the following rates based on the gross revenue of the retail sales by the seller in the current year:

(1) if the gross revenue of the seller is \$500,000.00 or lower, the rate of tax is five percent;

(2) if the gross revenue of the seller is between \$500,000.00 and ~~\$750,000.00~~ \$1,500,000, the rate of tax is \$25,000.00 plus 10 percent of the gross revenues over \$500,000.00;

(3) if the gross revenue of the seller is ~~\$750,000.00~~ \$1,500,000 or more, the rate of tax is 25 percent.

(b) The retail sales of spirits and fortified wines made by a manufacturer or rectifier at a fourth-class or farmers' market license location shall be included in the gross revenue of a seller under this section, but only to the extent that the sales are of the manufacturer's or rectifier's own products, and not products purchased from other manufacturers and rectifiers