

Testimony to Senate Economic Development, Housing & General Affairs Committee
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I am alarmed by the reappearance of proposed Tied House legislation this session. Within H.921, an act relating to alcoholic beverages, there are 3 pieces of proposed regulation changes that, when passed together, will allow for the creation of Tied Houses in Vermont. This would completely undercut our three-tiered system - the separation of manufacturers, distributors and retailers.

Vermont has a long history of opposing Tied Houses and supporting our small independent breweries, restaurants and bars. The Vermont Brewers Association, led by co-founder Greg Noonan, has a long, documented history defending our 3-tier system, and also protecting our longstanding anti-monopoly laws. Greg had seen firsthand the impact that Tied houses around the UK had on small pub owners. Not only did these fast arising Tied Houses put many small publicans and small brewers out of business, but the diversity in beer offerings quickly faded away.

For the past 20 years I have been actively fighting this legislation. Every 2 years these same proposed changes come up, and every 2 years I feel frustrated that we are here again wasting our lawmakers' time. VBA has never supported these proposed changes, rather they were always introduced by someone for a specific constituent. Sadly, this year these proposals have quietly made it to this Senate Committee. In an email to all VBA members in January, the public policy chair for VBA told membership that these provisions were being made "on behalf of the Distillers". Although I was unaware of this communication when it happened, I have recently discovered that this member, who has been leading VBA public policy, is also a distiller and on the Board for the Distillers Association. And that is how we have ended up here. A lot of conflict of interest, and a whole lot more special interest.

I was told by Commissioner Knight that "The Department considers proposed legislative changes with a dual public safety and business growth lens: if the proposed change supports business growth without negatively impacting public safety, we are generally supportive".

Well, several provisions in H.921 do not support healthy business growth, but they do impact public safety.

Section (c)(1) proposes "At no more than 10 fourth-class license locations, a licensed manufacturer or rectifier may sell by the unopened container or distribute by the glass, with or without charge" 16 ounces of malt beverages or hard cider, or up to 12 ounces of wine or ready-to-drink spirits. The state of Vermont currently allows for **one** 4th class license on a contiguous property. This change was passed specifically for the Trapp Family Lodge property with the idea that the anti-monopoly laws in place would not be further compromised. A jump to the allowance of **ten** 4th class licenses per/manufacturer, along with the big jump to allowing a full pint or 12 ounces of wine in those tasting rooms, is a radical change that will drastically alter our diverse craft beer culture as well as the character of our Main Streets.

As far as safety goes, I simply do not understand why the state would allow for a manufacturer to serve these large quantities of alcohol without a first or second class license. These licenses require an extra

level of safety and diligence, including having food available. Imagine getting a full pint of 10% beer at a tasting room and jumping back behind the wheel.

It is worth adding that, the original provision to allow “a licensed manufacturer of malt beverages” to distribute an annual total of not more than 3,000 barrels of the manufacturer’s malt beverages directly to holders of first- or second-class licenses would have been an important piece to the tied house changes. Thankfully, it was struck, but no “Mothership” manufacturer should ever be able to self distribute, especially to restaurants within their company, without going through an appropriate wholesaler. But collectively, this struck provision, along with the proposed changes in (c)(1), would create huge market advantage for our largest and most nimble producers, and a huge disadvantage for our many small businesses

In terms of business growth, tied houses harm small brewers as well as independent bars and restaurants by restricting competition, limiting consumer choice, and stifling access for independent brands. By controlling taps and reducing market access for smaller producers, these arrangements often create unfair competitive advantages for larger, parent corporations. Here in Vermont we have large restaurant groups that own breweries, and we have brewers that are also distillers. H.921, as it is presented, serves as special interest legislation for a small, powerful few.

If this legislation is to allow manufacturers to sell their products directly to consumers, we already have legislation that allows that. A manufacturer can legally open a bar or restaurant with appropriate licensing. Any manufacturer can distribute their own beer, but they must pay the appropriate wholesale fees and taxes, and follow the protocol that is in place to protect our 3 tier system. All of these proposed changes create shortcuts and take money away from the state of Vermont.

Tied Houses will hurt The Alchemist and many craft breweries here in Vermont, with benefits accruing to just a few businesses. But I am just as concerned about supporting the vibrant and unique communities we have all worked so hard to create. Thank you, and please don’t hesitate to reach out with any questions.