

State of Vermont
Department of Liquor and Lottery
1311 US Route 302, Suite 100
Barre, VT 05641
Division of Liquor Control 802-828-2345
Division of Lottery 802-479-5686
www.liquorandlottery.vermont.gov

Wendy Knight, Commissioner

To: Senate Economic Development and Housing Affairs Committee
From: Wendy Knight, Commissioner
Date: April 16, 2026
Re: Follow up on H. 921, Misc Alcohol Bill

Thank you for an additional opportunity to testify on H. 921, the miscellaneous alcohol bill.

As I testified previously, none of the proposed changes raise public safety concerns and indeed include important market access and economic development provisions. Parity across industry sectors is important, as allowing advantages to accumulate in one sector distorts competition. H. 921 narrows these gaps while responding to market changes including significant consolidation in the distribution tier.

As a reminder, Vermont's beverage alcohol regulatory framework is built on the three-tier system which mandates separation between manufacturers, wholesalers, and retailers of alcoholic beverages. Vermont is a control state for spiritous alcohol only, meaning the State serves as the wholesale tier for distilled spirits and fortified wines.

The three-tier structure seeks to prevent 'tied houses', classically defined as retail establishments that are financially controlled by or obligated to a manufacturer in a way that negatively impacts retailer independence and consumer choice. Tied house prohibitions in 7 VSA §203 prevent manufacturers and wholesalers from acquiring financial interests in retail licensees, and vice versa.

The legislature has already made exemptions to tied house provisions that represent deliberate choices to accommodate the growth of Vermont's craft beverage industry while preserving the integrity of the underlying structure, including the fourth-class license structure outlined in 7 VSA §224. This structure provides an additional and distinct structure authorizing the Board to grant fourth-class licenses ("tasting rooms") to manufacturers or rectifiers. Under current statute, the allowable number of fourth-class licenses for a single manufacturer or rectifier is twenty. This number includes farmer's market permits. At one fourth-class licensed location, the licensee may sell alcoholic beverages produced by up to five additional manufacturers.

The proposed changes in H. 921 do not create a conflict between public safety and business growth. Market access drives economic growth. Manufacturers depend on multiple channels to reach consumers. Expanding flexibility and enabling direct distribution all translate into revenue and jobs for Vermont businesses.

Expanding the fourth-class license structure to allow manufacturers or rectifiers to sell additional products at ten locations, including from any malt or vinous manufacturer and up to seven distilled spirits manufacturers increases market access, allowing the creation of destination retail experiences that feature a broader cross-section of Vermont's craft beverage economy.





This is good for producers, good for tourism, and good for Vermont's economy. Affording tasting rooms more generous serving allowances further serves these goals.

Vermont has made a series of incremental legislative changes that built a framework to functionally permit a form of vertical integration. The tied-house prohibition exists to protect consumer choice. The proposed fourth-class expansion doesn't restrict consumer choice – it expands it by creating more direct paths for small manufacturers to reach retail shelves.

There has been significant consolidation in the distribution tier in Vermont. Smaller manufacturers are less attractive accounts to distributors of national brands, and the administrative and cost burden of setting up independent distribution companies is insurmountable for many. Title 7 already allows vinous manufacturers to directly distribute up to 5,000 gallons per year; allowing malt manufacturers to also self-distribute further closes gaps in parity.

Thank you again for the opportunity to testify, and I look forward to answering your questions.

