

Proposal For Making Alabama’s Alcoholic Beverage Laws Congruent, Competitive, and Consistent With Other States

For the Alabama Alcoholic Beverage Study Commission.

Alabama Distillers Guild
 706 North Railroad Avenue
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Alabama Distilled Spirits Plants



Troy



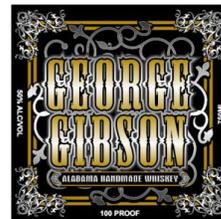
Huntsville



Atmore



Madison



Dothan

Irons Distillery, LLC
 Huntsville



Birmingham

Paul Sutton Reserve
 Distillery
 Birmingham

SPECIAL THANKS

Brent Rosen was the primary counsel when developing this guide and several other individuals and organizations were helpful in gathering the information from around the country.

American Distillers Institute
American Craft Distillers Association

INTRODUCTION

The Alabama Distillers Guild exists to provide a forum for the interaction of its members and to promote a favorable legal and market environment for the craft distilling industry in Alabama. Therefore, we respectfully make the following proposals.

THE STATE OF ALABAMA DISTILLING

Of the over 1400 small distillers in the United States, Alabama currently has nine active federal and state licensed Distilled Spirits Plants (DSPs) with several in the planning and licensing phase.

High Ridge Spirits, LLC – Troy	Mad County Winery, LLC – Huntsville
John Emerald Distilling Company LLC - Opelika	Big Escambia Spirits, LLC – Atmore
Blue Pants Brewery, LLC - Madison	Gibson Distilling, Inc. – Dothan
Irons Distillery, LLC - Huntsville	Redmont Distilling Company, LLC - Birmingham
Paul Sutton Reserve Distillery - Birmingham	

Considerations specifically applicable to Alabama Distillers.

1. Alabama distillers DO NOT have the same Federal Excise Tax Parity as Alabama brewers and wine makers. Alabama distillers currently pay the same federal excise tax as the major distilling companies in the US. Until federal parity legislation for small distillers is passed Alabama distillers will remain at a distinct disadvantage in the market place.
2. Unlike brewers and wine makers Alabama distillers pay federal excise tax and report production using Proof Gallons rather than barrels or gallons. (*One proof gallon equals one US gallon at 100 proof.*) Therefore, any legislation that affects Alabama distilleries must be legislated using proof gallons.

To assist the AABSC in meeting their goal as stated in the enabling legislation the Alabama Distillers Guild makes the following proposals based on research and member experiences while operating their distilleries in the State of Alabama.

DISCLAIMER

This document is intended to be a resource to be used by the Alabama Alcoholic Beverage Study Commission (AABSC) in fulfilling its stated goal. The document represents a good-faith effort to provide the AABSC with accurate information as of the date of this report.

PRIMARY PROPOSAL

We respectfully ask the commission to consider the following proposal.

Keep the Manufacturer license requirements as stated in the Code of Alabama, Title 28, Section 28-3A-6 unchanged with the following additions.

Change Section 28-3A-6 (h)(1) as follows:

- 1. **Allow on and off premise direct sales of each product produced by the manufacturer licensee at the distillery location.** Coupled with the current ability to sell product on premise, the ability to sell off premise would give the Alabama manufacturer an additional revenue source that would help level the playing field with the large out of state distillers, therefore helping ensure growth of the Alabama distilling industry.

An excerpt from the recently passed North Carolina ABC Omnibus Legislation is provided as an example:

(4) Sell spirituous liquor distilled at the distillery in closed containers to visitors who tour the distillery for consumption off the premises if the distillery manufactures less than 100,000 proof gallons per year.....

- 2. **Allow one satellite location for each manufacturer licensee.** With the same privileges granted the distillery location, this would allow manufacturers located in remote locations of Alabama to promote their products to a wider audience allowing their Alabama business to grow while enhancing tourism across the state. Think Alabama Distillery Trail.

Colorado Liquor Code provided as an example:

*Page 25 of 63 COLORADO LIQUOR CODE
Paragraph (6)(a) Any manufacturer of spirituous liquors that has received a license pursuant To this section is authorized to conduct tastings and sell to customers spirituous liquors of its own manufacture on its licensed premises and at one other licensed sales room location at no additional cost. Such additional sales room location may be included in the license at the time of the original license issuance or by supplemental application.*

- 3. **Allow retail sales of other alcohol.** Allow Alabama manufacturers to purchase alcohol from the ABC Board or distributors for resale to the public at the licensed premises.
- 4. **Allow self distribution rights similar to what is granted to Alabama wineries.** Products can be “electronically” delivered to the state, and shipped directly to licensees without the need for delivery to the Montgomery warehouse. Self distribution would give the Alabama distilleries an option to directly service ABC

stores and licensees in their area while reducing state warehouse and delivery costs.

ALTERNATIVE PROPOSAL

If changes to the current code is not acceptable we offer the following alternative proposal and respectively ask the commission to consider the following changes.

1. **Establish a Craft Distillers license.** A Craft Distiller being defined as a distillery that produces 100,000 proof gallons or less per year. A proof gallon being 1 gallon at 100 proof. The 100,000 proof gallon limit has been proposed by the American Distillers Institute and the American Craft Distillers Association. The 100,000 proof gallon limit is also part of current Federal legislation, the Craft Beverage Modernization and Tax Reform Act, S.1562
2. **Allow the Craft Distiller Licensee to conduct on premise and off premise direct sales.**
3. **Allow the Craft Distiller Licensee to have one satellite location to conduct on and off premise sales.**
4. **Allow self distribution rights similar to what is granted to Alabama wineries.** Products can be “electronically” delivered to the state, and shipped directly to licensees without the need for delivery to the Montgomery warehouse. Self distribution would give the Alabama distilleries an option to directly service ABC stores and licensees in their area while reducing state warehouse and delivery costs.

GLOSSARY

Alcohol Manufacturer – An alcohol manufacturer licensed under Alabama Code § 28-3A-6.

Distillery – As used in this document, any entity that is licensed and authorized to produce spirits.

Direct Sale – A sale from the distiller directly to a consumer, usually at or adjacent to the licensed premise or authorized satellite location.

On Premise Sale – A sale for consumption on the premises, such as a tasting or cocktail.

Off Premise Sale – A sale for consumption off premises, such as a bottle for home consumption.

Proof Gallon – A proof gallon is one gallon measured at 100 proof or 50% alcohol by volume.

Satellite Location – A licensed sales room authorized by the original manufacturer license that is located off the distillery premises and approved by local officials.