



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Commerce, Community,  
and Economic Development**

ALCOHOL AND MARIJUANA CONTROL OFFICE

550 West 7th Ave, Suite 1600  
Anchorage, AK 99501  
Main: 907.269.0350

**MEMORANDUM**

TO: Robert Klein, Chair, and  
Members of the Board

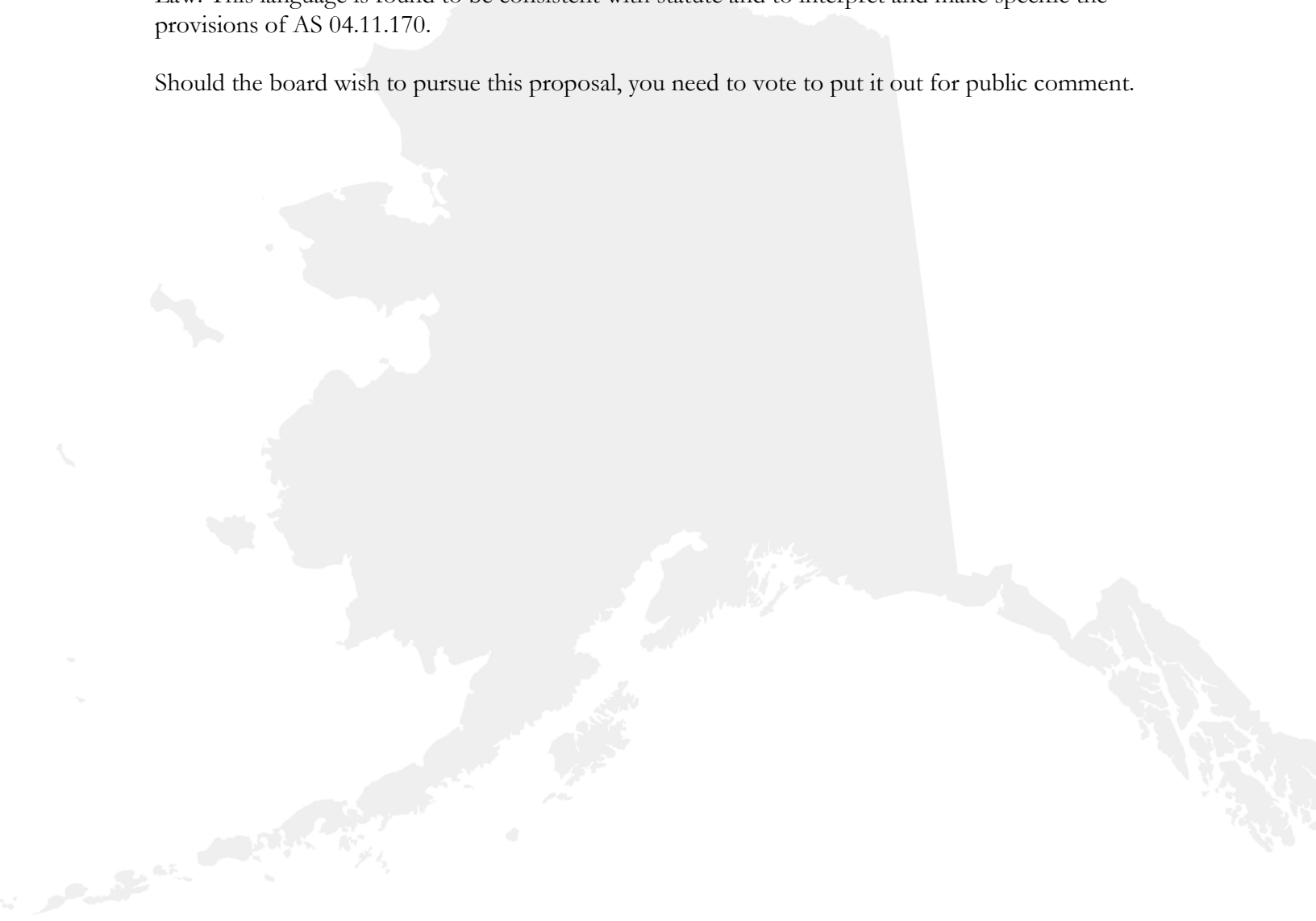
DATE: November 13, 2017

FROM: Erika McConnell, Director

RE: Regulations Project: Distilleries

The attached draft of a regulation that defines “distillery’s product” and clarifies what a distillery licensee is permitted to do for service for onsite consumption was drafted by the Department of Law. This language is found to be consistent with statute and to interpret and make specific the provisions of AS 04.11.170.

Should the board wish to pursue this proposal, you need to vote to put it out for public comment.



Register \_\_\_\_,\_\_\_\_2018 COMMERCE, COMMUNITY, AND EC. DEV.

(Words in **boldface and underlined** indicate language being added; words [CAPITALIZED AND BRACKETED] indicate language being deleted.)

3 AAC 304.375(c) is amended to read:

(c) Flavoring ethanol or alcohol that was not **distilled** [MANUFACTURED] in the distillery does not qualify as operating a distillery for purposes of obtaining a license under AS 04.11.170.

3 AAC 304.375 is amended by adding new subsections to read:

(d) For the purposes of AS 04.11.170(d) and (e), a licensee, agent, or employee of a licensee may not combine the distillery's product with any other manufactured product, but may serve separately non-alcoholic ingredients, including fruit juices, spiced and flavored mixers, garnishes, and carbonated beverages.

(e) In AS 04.11.170 and this section, "distillery's product" means a distilled spirit made or distilled on the premises of the licensed facility for

(1) bottling or barreling, and

(2) sale. (Eff. 12/16/2016, Register 220; am \_\_/\_\_/\_\_\_\_, Register\_\_\_\_)

Authority: AS 04.06.090 AS 04.06.100 AS 04.11.170

**AS 04.11.130 Brewery License.**

- (a) A brewery license authorizes the holder to operate a brewery where beer is manufactured and bottled or barreled for sale.
- (b) The holder of a brewery license may sell beer in quantities of
  - (1) not more than five gallons a day to an individual who is present on the licensed premises for consumption off the premises;
  - (2) more than five gallons a day to a person who is licensed under this title, or in another state or country.
- (c) The holder of a brewery license may permit a person to sample small portions of the brewery's product free of charge unless prohibited by AS 04.16.030.
- (d) The biennial brewery license fee is \$1,000.
- (e) Unless prohibited by AS 04.16.030, a holder of a brewery license may sell not more than 36 ounces a day of the brewery's product to a person for consumption on the premises if
  - (1) the brewery does not allow live entertainment, televisions, pool tables, dart games, dancing, electronic or other games, game tables, or other recreational or gaming opportunities on the premises where the consumption occurs;
  - (2) the brewery does not provide seats at the counter or bar where the product is served; and
  - (3) the room where the consumption occurs is not open before 9:00 a.m. and serving of the product ends not later than 8:00 p.m.

**AS 04.11.140 Winery License.**

- (a) A winery license authorizes the holder to operate a winery where wine is manufactured and bottled or barreled for sale.
- (b) The holder of a winery license may sell wine in quantities of
  - (1) not more than five gallons
    - (A) to an individual who is present on the licensed premises; or
    - (B) by shipping to an individual if the shipment is not to an area that has prohibited the importation or possession of alcoholic beverages under this chapter or to an area that has limited the importation or possession of alcoholic beverages unless the sale complies with the limitation;

(2) more than five gallons to a person who is licensed under this title, or in another state or country.

(c) The holder of a winery license may permit a person to sample small portions of the wine free of charge unless prohibited by AS 04.16.030.

(d) The biennial winery license fee is \$500.

### **3 AAC 304.380 Winery License.**

Unless prohibited under AS 04.16.030, a holder of a winery license may sell each day to a person for consumption on the licensed premises not more than 18 ounces of the winery's wine, mead, or cider or 36 ounces of any of the winery's cider that contains less than 8.5 percent alcohol by volume, if the winery does not

(1) allow live entertainment, televisions, pool tables, dart games, dancing, electronic games or other games, game tables, or other recreational or gaming opportunities on the premises where the consumption occurs;

(2) provide seats at the counter or bar where the product is served;

(3) open the room where the consumption occurs before 9:00 a.m.; or

(4) serve any of its product after 8:00 p.m.

### **AS 04.11.170 Distillery License.**

(a) A distillery license authorizes the holder to operate a distillery where alcoholic beverages are distilled and bottled or barreled for sale.

(b) A distillery license authorizes the holder to sell alcoholic beverages in

(1) quantities of not more than one gallon a day to a person who is present on the licensed premises for consumption off the premises;

(2) any amount to a person who is licensed under this title or in another state or country.

(c) The biennial distillery license fee is \$1,000.

(d) The holder of a distillery license may permit a person to sample small portions of the distillery's product free of charge unless prohibited by AS 04.16.030.

(e) Unless prohibited by AS 04.16.030, a holder of a distillery license may sell not more than three ounces a day of the distillery's product to a person for consumption on the premises if

(1) the distillery does not allow live entertainment, televisions, pool tables, dart games, dancing, electronic or other games, game tables, or other recreational or gaming opportunities on the premises where the consumption occurs;

(2) the distillery does not provide seats at the counter or bar where the product is served; and

(3) the room where the consumption occurs is not open before 9:00 a.m. and serving of the product ends not later than 8:00 p.m.

**From:** [Alcohol Licensing, CED ABC \(CED sponsored\)](#)  
**To:** [McConnell, Erika B \(CED\)](#)  
**Subject:** FW: Amalga Distillery  
**Date:** Friday, October 20, 2017 2:14:19 PM  
**Attachments:** [image001.png](#)

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## Jacqueline Drulis

Occupational Licensing Examiner  
Alcohol & Marijuana Control Office  
550 West 7th Avenue, Suite 1600  
Anchorage, Alaska 99501

**From:** Orin [mailto:alpineorin@gmail.com]  
**Sent:** Friday, October 20, 2017 1:14 PM  
**To:** Alcohol Licensing, CED ABC (CED sponsored) <alcohol.licensing@alaska.gov>  
**Subject:** Amalga Distillery

To Whom It May Concern:

I am writing to express my dismay over the possible change of legislation that could potentially close down distilleries like Amalga. My wife and I enjoy visiting Amalga precisely because it is not like the bars in Juneau. In fact, we have never visited a bar in downtown nor do we intend to.

Please keep an open mind and allow businesses like Amalga to offer unique options to the patrons of downtown. In the end downtown Juneau businesses win whenever people come to town, so let's not discriminate.

Thank you for your time and consideration.

Sincerely,

Orin Bakal-Molnar

**From:** [CED AMCO REGS \(CED sponsored\)](#)  
**To:** [McConnell, Erika B \(CED\)](#)  
**Subject:** FW: Distillery regulation  
**Date:** Monday, November 06, 2017 11:30:23 AM

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FYI...

Jedediah R. Smith  
Local Government Specialist  
Alcohol and Marijuana Control Office  
(907) 334-2195  
<https://www.commerce.alaska.gov/web/amco/>

**From:** Sally McGuire [mailto:chilkootmcguire@gmail.com]  
**Sent:** Monday, November 06, 2017 8:37 AM  
**To:** CED AMCO REGS (CED sponsored) <amco.reg@alaska.gov>  
**Subject:** Distillery regulation

I understand that you are working on drafting regulations for the distilleries. I have been following this issue since it came up in (I think) September. I would like to weigh in on it.

It is clear that when GB309 was written the intent was to enable a new industry in Alaska to get going. With that in mind, my understanding is that the legislators intended that the distilleries would be able to serve the alcohol that they produced in an agreeable form such that customers could try and enjoy it. Certainly that was the understanding of the distillery owners who have made huge investments in their new businesses based on it. To radically change the rules now would be very seriously unfair and would make it impossible for these new businesses to continue.

I am associated with two such businesses, one in Fairbanks and one in Haines where I live. We very much enjoy dropping in to both of them and are very concerned about this issue. Both operate in a very limited way as far as hours of opening, size of space for the customers, etc., and now are also seriously limited as to what they can sell other than their own alcoholic product: ie we can't get some of our favorite drinks. My feeling is that regular bars are trying to get them regulated out of existence. I do not appreciate this. I think the hours-of-operation thing would be plenty enough to make the bars feel protected, that and the huge investment that is necessary to start a distillery. Bars are intrinsically different on this. They do not have to make their own alcohol before they serve it. They have a very tried-and-true business model that has served them extremely well ever since the year dot. I do not think that the distilleries are that much competition for them, and even if they are, so what? Distilleries regularly buy Alaskan- grown grain and herbs to make their products- thus serving their communities- and they produce not only the bottled alcohol but also a very useful by-product in the spent grain, and they pay their workers and their taxes (state and local) and in every way are a fine thing to have in a community. This was clear to the legislators who passed HB309- who had Alaskan distillery- produced mixed drinks at their signing ceremony I'm told!- and it's certainly clear to me.

I'm not crazy about new regulations whose intent would be to limit these tiny distilleries by limiting their ability to serve mixed drinks. Certainly you could clarify language so there is no ambiguity as to what is allowed. If you feel that so very many small distilleries have popped up (hard to believe given the level of investment necessary) you could perhaps specify that

there be only x number per 1000 of population. Personally I would let the market take care of that. I personally have no huge objection to limiting seating in the tasting rooms and limiting hours of operation as is already done- these things already enormously favor the bar owners. I really don't see where anything needs to be done other than making it clear that adding syrups and etc to the vodka or whatever it is, is fine.

Thank you, Sally McGuire, Haines AK



**From:** brandon howard  
**To:** [McConnell, Erika B \(CED\)](#)  
**Subject:** Re: Summary of State Distillery Laws  
**Date:** Tuesday, October 24, 2017 3:34:52 PM

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I have been digging through statute of other states that allow for mixed drinks in their tasting rooms. I have been unable to find the term "cocktail" or "mixed drink" or any other language relating to mixing, but I am only through ~8 states. Some do clarify that SPIRITS served need to be made by the producer, and interestingly, New Mexico requires that spirits served onsite need to be made by either the producer or a fellow New Mexico producer.

Thank you,

On Tue, Oct 24, 2017 at 2:45 PM, McConnell, Erika B (CED) <[erika.mcconnell@alaska.gov](mailto:erika.mcconnell@alaska.gov)> wrote:

Hi Brandon,

Thanks for sharing this chart with me! What I am most curious about is the regulatory language that allows distilleries in other states to serve cocktails. Is it explicit in their language? Or is it an interpretation of language similar to Alaska's? For me, the issue isn't what distilleries should or shouldn't be allowed to do—the issue is what does our statute say.

Thanks,

Erika

*Erika McConnell*

Director

Alcohol & Marijuana Control Office

State of Alaska

**From:** brandon howard [mailto:[b@amalgadistillery.com](mailto:b@amalgadistillery.com)]  
**Sent:** Tuesday, October 24, 2017 2:03 PM  
**To:** McConnell, Erika B (CED) <[erika.mcconnell@alaska.gov](mailto:erika.mcconnell@alaska.gov)>  
**Subject:** Summary of State Distillery Laws

Director McConnell,

I recently came across the following chart and thought that it would be of interest to you. While it is not entirely up to date (several states have begun allowing for cocktails in tasting rooms this year), it is a good representation. I think most relevant to our situation is that there is not a single state that allows for sales of spirit by the glass that makes it illegal to mix said spirit. There are, however, a few states that allow for sales of cocktails but not sales by the glass.

Regards,

--

Brandon Howard

[Redacted]

C:[907-209-7974](tel:907-209-7974)

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Brandon Howard

[Redacted]

C:907-209-7974

# SURVEY OF STATE TASTING ROOM

The information in this survey was collected from distillers and state alcohol control boards; it reflects the most current information available at the time of writing. Due to the hard work of motivated distillers, distillers guilds and state representatives these laws are continuing to be debated and modified to meet the needs and interests of all stakeholders in their locality. If any of these laws or details have changed by the time of publication, please contact [eric@distilling.com](mailto:eric@distilling.com) with the correction or update.

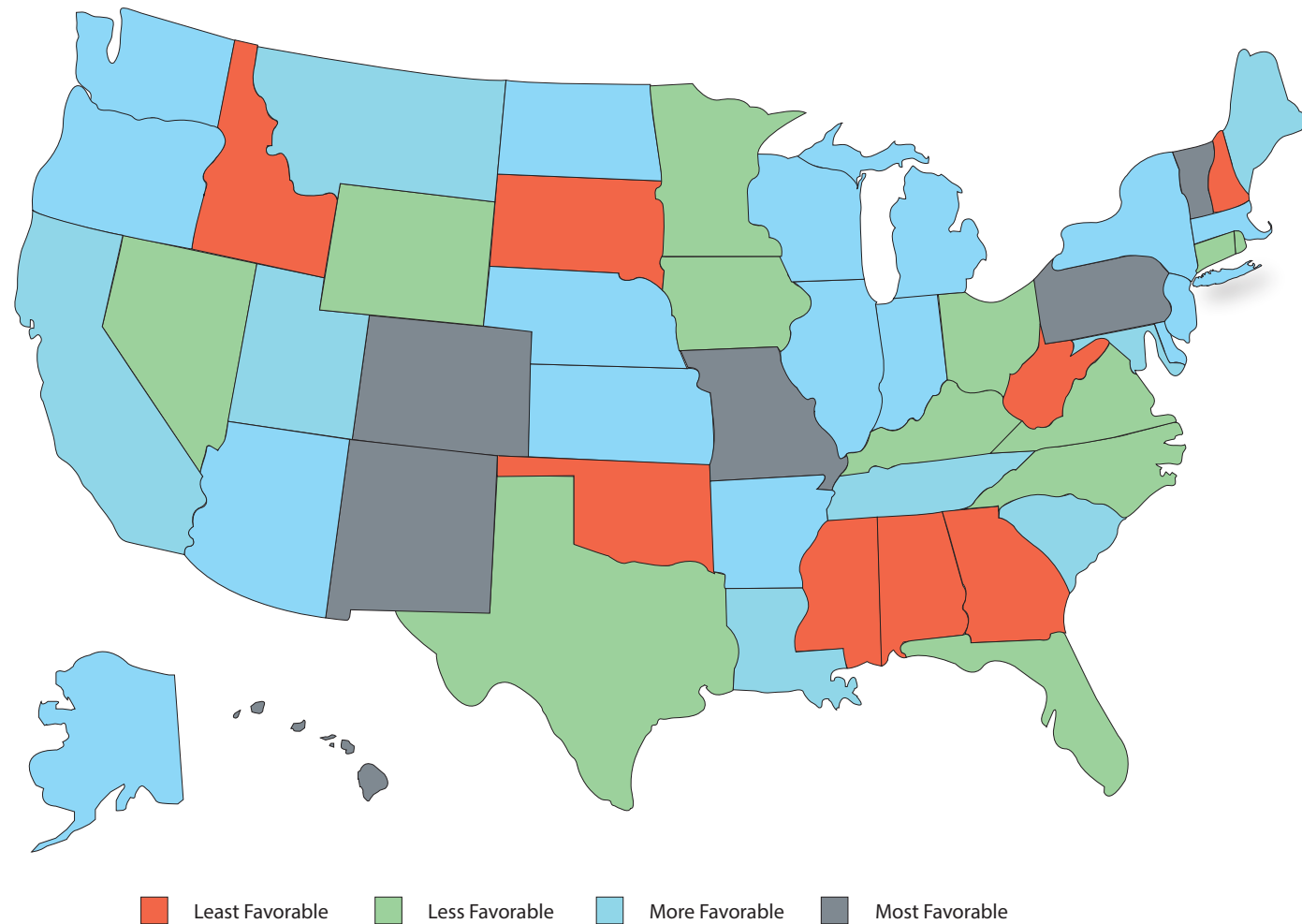
# LAWS FOR CRAFT DISTILLERIES

STATE	STATE GUILD	3 TIER OR CONTROL STATE	LIMIT ON MAXIMUM PRODUCTION	ON-SITE TASTING ROOM	SATELLITE TASTING ROOM	PAID TASTING	DIRECT SALES BY BOTTLE	DIRECT SALES BY GLASS	COCKTAILS	SELF-DISTRIBUTION	ALLOWED TO SELL NON-ALCOHOLIC MERCHANDISE
AL	No	Control	None	Yes	Yes only allowed to serve 1/2 oz pours.	Yes	No	Yes	Yes	No	Yes
AK	Distillers Guild of Alaska	3 Tier	None	Yes	No	Free	Yes 1 gal per person per day.	Yes Max of 3 oz per person per day.	Yes Max of 3 oz per person per day.	Yes	Yes
AZ	No	3 Tier	20k Proof Gallons (P.G.)/year.	Yes	Yes	Yes	Yes 20% of total production can be sold on-site for off-site consumption.	Yes	Yes	Yes At least 80% of production sold via wholesale.	Unknown
AR	No	3 Tier	None	Yes	No	Yes	Yes	No	No	No	Yes
CA	California Artisanal Distillers Guild	3 Tier	None for Manufactures. 100K gal/year excluding brandy production for craft distillers license. Craft distillers cannot purchase bulk spirit. All production must be and distilled on site.	Yes	No But, a craft distillery may operate up to 2 restaurants/bars under on-sale licenses.	Yes 1-1/2 oz max per person per day.	Yes 2.25 liter per day per person who has attended an instructional tasting conducted by the craft licensee.	Yes 1-1/2 oz max per person per day or in an attached restaurant.	Yes 1-1/2 oz max per person per day of their alcohol w/ a non-alcoholic mixer.	No	Yes Can operate a gift shop and craft licensee can have an on-site restaurant that sells food.
CO	Colorado Distillers Guild	3 Tier	None for Manufactures. 45k liters or 5k nine liter cases for Distillers Pub license.	Yes	Yes	Yes	Yes	Yes	Yes Can only serve alcohol produced at the distillery.	Yes	Yes
CT	No	3 Tier	None	Yes w/ additional tasting license.	No	Free 2 oz pours	No	No	No	Yes	Yes
DC	No	3 Tier	None	Yes	No	Free Three 1 oz samples per person per day after 1 pm.	Yes	Yes	Yes w/ cocktail license.	Yes	Yes
DE	No	3 Tier	750k P.G./year	Yes	No	Yes	Yes 1 case per person per day.	Yes	Yes	No	Yes
FL	Florida Craft Distillers Guild	3 Tier	75k gal/year	Yes	No	Yes	Yes 2 bottles per brand per person per year.	No	No	No	Yes
GA	No	3 Tier	None	Yes	No	Free One 1/4 oz sample.	No	No	No	No	No
HI Hawaii County	No	3 Tier	None	Yes	No	Yes	Yes	No	No	Yes	Yes
HI Honolulu County	No	3 Tier	None	Yes	No	Yes	Yes If spirits are made from state grown agricultural.	Yes	Yes	Yes	Yes
HI Kauai County	No	3 Tier	None	Yes	No	Yes	Yes	No	Yes	Yes	Yes
HI Maui County	No	3 Tier	None for Manufactures. Small Craft Producer Pub license 7500 (31 Gallon) barrels/year [232,500 gal/year].	Yes	No	Yes	Yes	Yes w/ Small Craft Producer Pub License.	Yes w/ Small Craft Producer Pub License.	Yes	Yes
ID	No	Control	None	Yes	No	Free Three 1/4 oz samples per person per day.	Yes but bottles must first be bought back from the state.	No	No	No	Yes
IL	Illinois Craft Distillers Association	3 Tier	35k gal/year	Yes	No	Yes Three 1/4 oz samples per person per day.	Yes Max of 2500 gal/year.	No	Yes	No	Yes
IN	Yes	3 Tier	None	Yes spirits must be poured by license bartender.	Yes	Yes 1/4 oz samples	Yes Max of 10k gal/year & no Sunday sales.	Yes	Yes Can only use the alcohol produced at the distillery.	Yes	Yes

STATE	STATE GUILD	3 TIER OR CONTROL STATE	LIMIT ON MAXIMUM PRODUCTION	ON-SITE TASTING ROOM	SATELLITE TASTING ROOM	PAID TASTING	DIRECT SALES BY BOTTLE	DIRECT SALES BY GLASS	COCKTAILS	SELF-DISTRIBUTION	ALLOWED TO SELL NON-ALCOHOLIC MERCHANDISE
IA	No	Control	None for manufactures. 50k P.G./year for a micro-distillery.	Yes	No	Free 2 oz per person per day.	Yes 2 bottles per person per day.	No	No	No	Yes
KS	No	3 Tier	50k gal/year	Yes	No	Free	Yes	Yes	Yes	No	Unknown
KY	Kentucky Distillers' Association	3 Tier	None for Class A license. 50k P.G./year for Class B license.	Yes	No	Free Two 1/2 oz samples per person per day.	Yes 3 liters per person per day.	No	Yes	No	Yes
LA	No	3 Tier	None	Yes	No	Yes	Yes No more than 1 case per person per 30 days.	Yes	Yes	No	Yes
ME	Main Distiller's Guild	Control	50k gal/year for Craft Distillers license.	Yes	Yes	Yes	Yes	Yes	Yes Can only use spirits they produce. Class A Restaurant license is optional and allows for a full bar.	No	Yes
MD	Maryland Distillers Guild	3 Tier	None	Yes	No	Yes Three 1/2 oz samples per person per day.	Yes 3 bottles per person per visit.	No	No	Yes	Yes
MA	No	3 Tier	None, but license gets more expensive with higher production.	Yes	No	Yes	Yes	No	No	Yes	Yes
MI	Michigan Craft Distillers Association	Control	60k Wine Gallons/year	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
MN	Minnesota Distillers' Guild	3 Tier	None	Yes	No	Yes	No	No	Yes	No	Yes
MS	No	Control	None	Yes	No	Yes Four 1/4 oz samples per person per day.	No	No	No	No	Yes
MO	No	3 Tier	None	Yes	No	Yes Five 1/4 oz samples per person per day.	Yes	Yes w/ a separate license	Yes w/ a separate license.	Yes w/ a separate license.	Yes
MT	Montana Distillers' Guild	Control	None	Yes	No	Yes 2 oz mini bottles bought back from the state at \$12/case.	Yes Two liters per person per day. State mark up paid after sale.	Yes	Yes	No	Yes
NE	No	3 Tier	10k P.G./year for Craft Distillers license.	Yes	Yes w/ separate permit	Free 1/2 oz sample per person per day.	Yes	Yes	Yes Can only use the alcohol produced at the distillery.	No	Yes
NV	Nevada Craft Distillers Association	3 Tier	None, but max sales cap of 10k cases in NV, 40k cases in U.S. and unlimited sales internationally.	Yes	No	Free Two 1 oz samples per person per day.	Yes 24 bottles per person per month, max limit of 144 bottles per person per year.	Yes	Yes	No	Yes
NH	No	Control	None	Yes	No	Free One 1/2 oz sample per person, per day.	Yes Max 3k cases/year w/ 8% sales tax.	No	Yes Must be free.	No	Yes
NJ	No	3 Tier	20k P.G./year	Yes	No	Free Tree 1/2 oz samples per person per day.	Yes 5 liters per person per day.	Yes	Yes	Yes	Yes
NM	New Mexico Distillers Guild	3 Tier	150k P.G./year	Yes	Yes 2 off site tasting rooms & eligible for \$35 pop-up permits for food festivals and other events.	Yes 1/4 oz samples	Yes Can sell any NM made spirit.	Yes	Yes	No	Yes
NY	New York State Distillers Guild	3 Tier	75k P.G./year for Farm Distillers license which requires use of 70% NY grown agriculture.	Yes	No	Yes	Yes	Yes	Yes	No	Yes
NC	North Carolina Distillers Association	Control	None	Yes	No	Free	Yes 1 bottle per person per year, distillery must buy the bottles from the state at wholesale price.	No	No	No	Yes

STATE	STATE GUILD	3 TIER OR CONTROL STATE	LIMIT ON MAXIMUM PRODUCTION	ON-SITE TASTING ROOM	SATELLITE TASTING ROOM	PAID TASTING	DIRECT SALES BY BOTTLE	DIRECT SALES BY GLASS	COCKTAILS	SELF-DISTRIBUTION	ALLOWED TO SELL NON-ALCOHOLIC MERCHANDISE
ND	No	3 Tier	25k gal/year	Yes	Yes 20 days of off site tastings & sales for events like the state fair.	Yes	Yes 12 bottles per person per month.	Yes	Yes	No	Yes
OH	Ohio Distiller's Guild	Control	10k P.G./year for A3A license.	Yes	No	Yes Must charge between 25¢-50¢ per sample up to four 1/4 oz pours.	Yes 2 bottles per person per day w/ retail sales license. Spirits must be bought back.	No	No	No	Yes
OK	No	3 Tier	None	Yes	No	<del>None</del>	No	No	No	No	No
OR	Oregon Distillers Guild	Control	None	Yes	Yes	Yes Five 1/2 oz samples per person per day.	Yes w/ retail license but no drink sales.	Yes w/ on premise sales license, but no bottle sales.	Yes w/ on premise sales license, but no bottle sales.	No	Yes
PA	Pennsylvania Distillers Guild	Control	None for Regular license. 100k gal/year for Limited Distillery license.	Yes	Yes Three 1/2-oz sample per person per day on-site or at a satellite tasting room.	Yes Three 1/2 oz sample per person per day on-site or at a satellite tasting room.	Yes	Yes For limited Distillery license w/ additional license.	Yes For Limited Distillery license, and they can only use alcohol produced on site.	Yes For Limited Distillery license.	Yes
RI	No	3 Tier	None	Yes	No	Yes Charge for glass, spirits are free.	Yes One 375ml bottle per person per visit.	No	No	Law Unclear	Yes
SC	No	3 Tier	100k Cases for Micro Distillery license.	Yes	No	Yes Max of 1 and 1/2 oz, must take tour before tasting.	Yes 3 bottles per person per day. Bottles stamped not for resale.	No	No	No	Yes Must be sold in a separate room from alcohol.
SD	No	3 Tier	50k gal/year	Yes	No	Free	No	No	No	No	Yes
TN	Tennessee Distillers Guild	3 Tier	None	Yes	No	Yes	Yes	No	Yes Must be offered for free.	No	Yes
TX	Texas Distilled Spirits Association	3 Tier	None	Yes	No	Yes Up to 3k gallons poured on premise annually.	Yes 2 bottles per person per 30 days. Max of 3500 gal/year.	Yes	Yes Can only use the alcohol produced at the distillery.	No	Yes
UT	Utah Distillers Guild	Control	None	Yes Samples can only be served in a distinct area of consumption outside the view of minors.	No	Yes No more than 2 and 1/2 oz per person	Yes Operating as a package agency.	Yes w/ additional license	Yes w/ additional license.	Yes	Yes
VT	Distilled Spirits Council of Vermont	Control	None	Yes	Yes up to 10 sites	Yes Four 1/4 oz samples per person per day.	Yes	No	No	No in state distilleries can self-distribute outside of VT.	Yes
VA	Virginia Distillers Association	Control	None for Regular Distillers license. 36K gal/year for Limited (Farm) Distillery Licenses w/ distillery located on land zoned for agriculture & which grows and uses the agricultural product of the land.	Yes	No	Yes Three 1/2 oz samples per person per day.	Yes Licensed as a VA ABC store.	No	No	No	Yes
WA	Washington Distillers Guild	3 Tier	150k P.G./year	Yes	No	Yes	Yes	No	No	Yes	Yes
WV	Yes	Control	20k P.G./year	Yes	No	Free Small moderate samples.	Yes Must buy spirits back from the state w/ a 28% markup & must pay a 10% fee for every bottle sold.	No	No	No	Yes
WI	Wisconsin Distillers Guild	3 Tier	None	Yes	No	Yes One 1/2 oz sample per person per day.	Yes	Yes	Yes Alcohol produced or imported.	No	Yes
WY	No	Control	None	No	Yes	Yes 2 oz max per person per day.	Yes Only at satellite tasting room.	No	No	No	Yes

# STATE FAVORABILITY INDEX FOR CRAFT DISTILLERS



In general the **MOST FAVORABLE** state laws for craft distillery tasting rooms allow distilleries to have a large or unlimited production capacity; offer paid tastings at an on-site as well as one or more satellite tasting rooms; direct sales of their spirits to customers; are allowed to serve and charge for cocktails; and are allowed to self-distribute their spirits.

In general the **MORE FAVORABLE** state laws for craft distillery tasting rooms allow distilleries to do all the activities above except for self-distribution. Some are allowed self-distribution but are limited in one other aspect such as a limit on the number and frequency of direct sale of bottles to customers.

In general the **LESS FAVORABLE** state laws for craft distillery tasting rooms allow paid tastings on-site and limited direct sales to customers but do not allow satellite tasting rooms, the sale of cocktails or self-distribution.

In general the **LEAST FAVORABLE** state laws for craft distillery tasting rooms are limited to offering samples (many of these states mandate the samples be free), without the ability to sell cocktails, direct sale of bottles for off-premise consumption, have a satellite tasting room, and in rare cases, forbid the sale of other non-alcoholic merchandise such as shirts and hats.



# **2017 AMCO Regulations Project**

**Distillery Tasting Room/Cocktail  
Issue**

# A Little History

- The first distillery in Alaska since prohibition opened up around 2007.
- Followed by Truuli Peak in Anchorage
- Ursa Major, Port Chilkoot, and Highmark came about around 2013
- The five operating distilleries worked with the legislature in the 2014 session to pass HB309 which allowed for tasting rooms.
- The legislation provided parity with brewery and winery tasting rooms.
- Allowed for us to give small samples so folks could try our spirits straight, and allowed us to sell our products in a tasting room environment for on or off site consumption.



# A Little History

- In 2017, the statute that we've been operating under for 3 years, without incident, was reinterpreted by the new director.
- The legislative intent of the statute WAS to allow cocktails, though there is nothing that adequately shows that in the legislative record.
- **Mixing of cocktails was never mentioned in the legislation because it didn't need to be, presenting our products with other non-alcoholic ingredients is industry standard, and non-alcoholic ingredients are not regulated under statute.**

# Where we are now

- There are nine operating distilleries in the state, with a tenth in the works.
- There have been no incidents with distillery tasting rooms since HB309 was passed.
- **THIS ALL CAME ABOUT BECAUSE A FEW BAR OWNERS DON'T WANT THE COMPETITION**

# Where we are now

- The rug has been effectively pulled out from under distillers, who have in many cases invested their life savings' into the tasting room business model.
- The rules were changed mid-game, without warning, causing most distillers to struggle to survive.

# What we need

- We need the ABC Board, the Director, and Enforcement to work with us to bring back some common sense to this issue.
- It's gotten way out of hand and a HUGE can of worms has been opened up.
- **LET'S BRING SOME REASON BACK TO THIS THING!!!!**

# This is being SPUN

No matter how this thing is being spun, it's about one thing, and one thing alone:

**A Certain contingent wants to limit us even further so they don't have to compete with distillers.**

This contingent is striving to put us back under the mafia-esque three tier system that keeps them from having to compete.

**It is now to the point of arguing about ridiculous semantics over and over again, with no real resolution.**

**NONE OF US HAVE TIME FOR THIS**

# Fiction vs. Fact

## Fiction

- Under Title 4, a distillery license is a “manufacturing license” therefore their main role is to manufacture products to sell to a distributor.

## Fact

- **Under Title 4, all licenses are listed as “licenses.” There is no designation in statute that says distilleries are manufacturers. It says that distillers can distill alcohol and offer it for sale both wholesale to distributors and retail through their tasting rooms.**

# Fiction vs. Fact

## Fiction

- By having a distillery tasting room that is mixing “Cocktails,” we are exceeding the population limits that are put in place to limit the amount of bars. We are effectively having more bars.

## Fact

- Tasting rooms have their own population limits in place, as well as **MANY** limitations that keep tasting rooms from being bars.
- The exact same amount of **ALCOHOL** leaves a tasting room’s doors whether it’s as a straight shot, or mixed with other non-alcoholic ingredients.

# Fiction vs. Fact



## **Fiction**

- Distillers are looking for a loophole in order to somehow disguise themselves as bars.

## **Fact**

- **Distillers have been operating under the statute that they wrote since the passing of HB309.**
- **Distillers have been mixing cocktails from the start, without trying to hide it, without trying to “get away” with anything.**
- **Distillers’ business models are in accordance with how the statute was written, and still reads.**



# Fiction vs. Fact

## Fiction

- Distillers need to be operating as strictly manufactures. Their products should be sold to a distributor, and the distributors should sell them to retailers. The retailers will push distillers products, and they will sell more of them.

## Fact

- **This three tier system is a leftover from prohibition with mafia roots. It gives all control to distributors and retailers.**
- **Retailers DO NOT make their money on fine, craft products. Their bread and butter is selling the big alcohol brands.**
- **Although retailers embrace distillers and give them a small amount of shelf space, this is NOT how they pay their bills.**

# Fiction vs. Fact

## Fiction

- Only bars are allowed to mix cocktails.

## Fact

- **“Cocktail” is NOT defined anywhere in statute.**
- **This is an exercise of trying to regulate something that isn’t even defined.**
- **There is nowhere in statute that gives bars the right to mix cocktails, let alone gives them the exclusive right to do so.**

# Fiction vs. Fact

## Fiction

- Distillers have access to cheaper alcohol so they are undercutting bars and package stores.

## Fact

- The cost of production in Alaska is **EXTREMELY** high, distillers selling only three ounces of product per person is in no way undercutting bars.
- Every single distillery tasting room in the state sells their bottles for off-site consumption at a **HIGHER** rate than bars and package stores. This is done on purpose in order to **NOT** undercut the establishments that are selling distillers' products.

# The whole point of HB309

- HB309 was written and passed unanimously as a way to help small distilleries compete in such a heavily regulated industry.
- **It allows for local, sustainable, mom and pop distilleries to be free to sell their products in a whole different context, independent of bars and liquor stores.**

# The Best Example of How These Small Distilleries Operate:

**Small, community distilleries are more like coffee roasting companies. They distill their products locally, they sell them locally to the members of their communities.**

The three tier system is not even thought of in any other industry in Alaska. The only reason it comes into play here is because it's what big alcohol is used to. They are used to running the show. Independent, local distilleries are being pushed out.



Distilleries just want to get along, and  
be viable in the marketplace

**These tasting rooms have allowed distilleries to  
showcase their products the way they are  
meant to be showcased.**

There are already so many strict limitations that  
distillers have to work with. The point of these  
tasting rooms is to present our products how  
they would normally be used, and to direct  
customers to beverage dispensaries and package  
stores to purchase these products.

# **Common Sense**

**Distillers are already very strictly limited.**

**Allowing distilleries to mix their product with non-regulated, non-alcoholic products does not hurt anything or anyone.**

**It only allows them a chance to succeed in the industry that they have created in this state.**



**Thank You For Your Time!!**