

HB

269

<TARGET><BILL>HB 269</BILL><SUBJECT>HB
269</SUBJECT><COMM>HCRA30</COMM></TARGET>



Representative Chris Tuck

House Majority Leader

Serving House District 23 • Dimond Estates, Foxridge, Taku, Campbell, Northwood, and Windemere

House Bill 269 Distillery Licenses Sponsor Statement

Small businesses play an important role in our society and are truly the backbone to the economy. Equally important is the fact that new businesses are also one of the most important forces of innovation and employment.

Over the past few years, entrepreneurs across Alaska have entered into the craft distillery world. With the help of legislation passed by the 28th Alaska Legislature we now have seven new distilleries, making a total of ten across the state.

In 2014, the Alaska Legislature passed House Bill 309 with overwhelming support. This bill allowed craft distilleries to open tasting rooms, putting them on par with breweries and wineries, to provide samples and selling their product, with specific limitations. This change allowed distilleries to increase their visibility, attract more customers, compete effectively with multi-national brands, and become a more active participant in their respective communities.

The Alcoholic Beverage Control Board has proposed regulations to disallow the mixing of distilled products with non-alcoholic beverage not produced by the distillery. These regulations are contrary to the original intent of the Legislature. Most people do not consume, nor should we promote, the consumption of straight distilled crafts.

House Bill 269 will clarify the Legislature's original intent to allow our craft distillers to serve their product with mixers, garnishes and other ingredients that are non-alcoholic beverages. The proposed regulations by the ABC Board have the potential to impede the growth of the craft distillery industry in Alaska and hurt our hard-working small business owners.

It is crucial that we continue to support all our small businesses and not create regulations that will hamper their ability to thrive. I appreciate your support for the quick passage of House Bill 269.

Session (January-April):
State Capitol, Room 204
Juneau, AK 99801-1182
Phone (907) 465-2095

Rep.Chris.Tuck@akleg.gov
www.RepChrisTuck.com
Toll-Free (866) 465-2095

Interim (May-December):
1500 W Benson Blvd, Ste 217
Anchorage, AK 99503
Phone (907) 269-0240

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: HB 269
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB269-DCCED-AMCO-01-26-18
Title: DISTILLERY LICENSEES; SERVICE ON
PREMISES
Sponsor: TUCK
Requester: (H) Community and Regional Affairs

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alcohol and Marijuana Control Office
Allocation: Alcohol and Marijuana Control Office
OMB Component Number: 3119

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/18

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By:	<u>Erika McConnell, Executive Director</u>	Phone:	<u>(907)269-0351</u>
Division:	<u>Alcohol and Marijuana Control Office</u>	Date:	<u>01/25/2018</u>
Approved By:	<u>Catherine Reardon, Director</u>	Date:	<u>01/26/18</u>
Agency:	<u>Division Administrative Services, DCCED</u>		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. HB269

Analysis

HB 269 amends Title 04 to define "distillery's product" and clarify statute related to distilleries.

The Alcoholic Beverage Control (ABC) Board recently adopted a regulation that is inconsistent with this legislation, but is not yet effective. If this legislation is adopted, a regulations project to remove the inconsistent regulation would be required. This regulations change would be included in planned regulations updates.

The Alcohol and Marijuana Control Office does not anticipate fiscal impact from this legislation.



To: The Esteemed Members of the Alaska House of Representatives:

The Distillers Guild of Alaska has reviewed draft House Bill No. 269 in reference to distillery licenses and supports the proposed changes. The Bill reflects the original intent of the distillery tasting room law, contributes to public safety, is in the best interest of the consumer and the state, and it takes in to account standard industry trade practices.

For the last three years, Alaskan distilleries have been operating their tasting rooms in compliance with state statute. Tasting rooms have fostered growth in this industry- driving local and tourist traffic and allowing small, local craft producers to connect with customers in a landscape of industry giants. Mixing distillery products allows distilleries to showcase their products, and the restriction of such practice was never intended by those who passed the tasting room law in 2014. The statute was added to give distilleries equal footing with breweries and wineries; to enter the tourism sector, to subsidize the high expense of manufacturing in Alaska, to help local products compete with imports, and to allow distilleries to directly market and serve their products to visitors in the way they are intended to be consumed. The way spirits are served is unique to our industry. Allowing for the use of non-alcoholic mixers does not change how much alcohol is being consumed.

However, on January 23, 2018, The Alcoholic Beverage Control Board voted to adopt AS 04.11.170 (d) and (e), which, when it goes into effect will no longer allow the serving of cocktails in distillery tasting rooms. This regulation change will cripple our young industry. We implore the Alaska House of Representatives to adopt House Bill No. 269, which will allow Alaska's nine distilleries to continue operating in the way they were intended to. Our industry creates jobs, value added agricultural products and creates the opportunity for another potential export product for the state of Alaska.

Thank you for your time and consideration of this important matter. If you have any further questions about our specific trade industry practices, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Maura Selenak", is written over a faint, illegible background.

Maura Selenak

President, Distillers Guild of Alaska

Representative Chris Tuck
1500 W Benson Blvd, Room 417
Anchorage, AK 99503

24 January, 2018

Representative Tuck,

Thank you for sponsoring HB 269 and for all of your hard work championing State industry.

As you are aware, the State distilling industry has been turned on its ear with the actions of the Alcohol & Marijuana Control Office (AMCO) since August, 2017 that concern the mixing of drinks in our tasting rooms. The most recent action from AMCO was at the meeting of 23 January, 2018 where the AMCO Board voted on and passed a regulation where distilleries can no longer mix drinks, but instead will allow their customers to do the mixing? This just seems ridiculous.

Fairbanks Distilling Company is an Alaskan manufacturer that operates out of the Old City Hall building in downtown Fairbanks, a building that is on the National Register of Historic Places. We are currently manufacturing vodka at our downtown Fairbanks facility from potatoes to produce our 68 Below vodka. As the owner of Fairbanks Distilling Company, I am honored to own the Old City Hall building and proud to display the Made in Alaska label on my products. I have found the general accusations that some have made against distilleries of just bringing in bulk spirits from Outside and rebranding them as "Made in Alaska" to be especially offensive, as we do not do that, nor would we dream of doing that. At our facility, we process real potatoes, make a potato mash, ferment it to produce alcohol, and then redistill this alcohol many times to produce our great locally produced vodka. I would support language in a Bill or regulation that prevents distilleries in Alaska from importing bulk spirits from out-of-state.

Before I purchased the Old City Hall building, I spent almost a year working with the Fairbanks City Council (the owner of the building), the Fairbanks North Star Borough Planning Commission, and the Borough Assembly, as the existing zoning regulations prevented a manufacturing facility in the downtown business core. Through hard work and the support of the community, we were able to change the zoning regulations to allow us to manufacture downtown. My Company then spent hundreds of thousands of dollars on the purchase of the building, its remodel, and to install our manufacturing equipment so that we can manufacture spirits here in the community. It is my hope that all of our local Bars will start carrying our locally produced spirits, instead of the

out-of-state spirits that they currently serve. But to market my product to Bar owners, I need to be able to showcase my product in the same manner that they will be offering it to their customers. AMCO would have me sell just components that customers put together themselves. This would take away the control that my employees have over properly presenting our product.

As an Alaskan manufacturer, I feel that government should not be creating needless regulations that attempt to make my business fail. It is obvious that the current Alaska Statute 04.11.170 Distillery License does need to be improved so that every new administration cannot reinterpret it. In my mind, the addition of a mere four words to AS 04.11.170(e) are sufficient to allow my business to mix drinks and to present my product in the way that a consumer would consume it. New words highlighted in red and underlined are below:

(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 alcohol product in alcoholic beverages to a person for consumption on the premises if

With the simple added language above, I feel like my distillery would be able to insert my locally made product into any drink recipe to present to a customer. This is productive language that helps to support my business. This also restores what distilleries thought we had previously with HB 309 that passed in 2014.

HB 269 is restrictive, in that it only allows our distillery to produce mixed drinks with non-alcoholic mixers. This severely limits our menu and how we can showcase our product, but it does have positive productive language and returns distilleries closer to what the status quo was. In HB 269's current form, it appears to be a compromise. It is for this reason that I will support HB 269 in the hope that we can achieve less restrictive distillery language in the future.

Thank you and Best Regards,



Patrick Levy

Patrick Levy, owner
P.O. Box 80059
410 Cushman St.
Fairbanks, AK 99708

Alaska State Legislature

Official Business



State Capitol
Juneau, Alaska
99801-1182

December 28, 2017

Erika McConnell
Director
Alaska Alcohol & Marijuana Control Office
550 West 7th Ave, Suite 1600
Anchorage, AK 99501

Dear Director McConnell and ABC Board Members,

The 28th Alaska State Legislature passed House Bill 309 (HB 309) by an overwhelming majority of legislators. HB 309 helped Alaska-owned distilleries grow their small businesses by providing an opportunity for tasting rooms.

We do not always see immediate benefits of legislation, but in this case our distillery businesses were able to flourish using tasting rooms to increase in their visibility, attract more customers, compete effectively with multi-national brands, and become a more active participant in their respective communities. HB 309 was so successful that since the passage of HB 309, seven new distilleries have opened across Alaska.

The proposed regulations to limit mixing distilled products goes against the original intent of the Legislature and will negatively impact local distilleries. It is crucial that we continue to support all our small businesses and not create regulations that will hamper their ability to thrive.

HB 309 intended to allow distillers to provide samples and sell their product. The statute clearly outlines what a distiller can and cannot do within their tasting rooms, how a distiller can give samples to patrons and sell their products. There was never an intention to impose limitations on serving distilled products with mixers.

Most consumers of distilled spirits do in fact mix the spirits with other products. One of the reasons the serving amount of a distilled product was limited to three ounces was the expectation that mixers would be added to the serving to approximate the way consumers would be using the product. The owners of distilleries were intimately involved in the legislative process, from drafting to passage, so we sincerely believe Alaskan distilleries have been following the letter of the law and the intent of bill.

Please do not pass the proposed regulations, which will significantly impede small business owners across Alaska, create undue burden on their current business practices, and hurt their ability to grow. We have witnessed the wide-spread support of our local distilleries and have full confidence that our distillery owners will continue to be good stewards of our communities.

Sincerely,



Sen. Peter Micciche



Rep. Chris Tuck



Sen. Berta Gardner



Rep. Scott Kawasaki



Sen. Natasha von Imhof



Rep. Jonathan Kreiss-Tomkins



Sen. Bill Wielechowski



Rep. Jason Grenn



Sen. Tom Begich



Rep. Harriet Drummond



Sen. Dennis Egan

cc: Bob Klein, ABC Board Chair
Rex Leath, ABC Board Member
Robert Evans, ABC Board Member
Thomas Manning, ABC Board Member
Ellen Ganley, ABC Board Member

Alaska State Legislature

Official Business



State Capitol
Juneau, Alaska
99801-1182

August 15, 2017

Erika McConnell
Director, Alaska Alcohol & Marijuana Control Office
550 West 7th Ave, Suite 1600
Anchorage, AK 99501

Dear Director McConnell,

It has come to our attention the Alaska Alcohol & Marijuana Control office has issued an advisory notice to Alaska's distillers regarding distillery licenses and what practices are permitted in their tasting rooms.

In the 28th Alaska Legislature we sponsored HB 309 which clarified that distillers can sell and give away samples of their product under certain conditions.

We can assure you there has been no misinterpretation of the statute by the distillers and they are acting in accordance with the Legislature's intentions. Considering that many of the products sold by the distillers are intended to be mixed with other ingredients before consumption, it was assumed any sales or free samples would likely be mixed with other ingredients as well.

The Legislature worked closely with Alaska's distillers in crafting this legislation and they are well aware of what the law intends. We would also draw your attention to the well-publicized celebration ceremony of the new statute, when samples of mixed drinks using Alaska's craft spirits were provided without question.

Alaska's distillers have been making honest efforts to comply with the law as they understand it. This apparent sudden reversal of policy by your office does a great disservice to their business efforts and the intent of the law as it was passed.

Erika McConnell, Director
Alaska Alcohol and Marijuana Control Office
August 15, 2017
Page 2

Thank you for your attention to this matter. Please feel free to contact our offices directly if you have further questions.

Sincerely,



Harriet Drummond
Alaska State Representative



Scott Kawasaki
Alaska State Representative



Jonathan Kreiss-Tompkins
Alaska State Representative



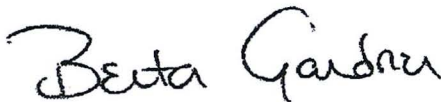
Chris Tuck
Alaska State Representative



Click Bishop
Alaska State Senator



Dennis Egan
Alaska State Senator



Berta Gardner
Alaska State Senator



Peter Micciche
Alaska State Senator

cc:
All Alaska distilleries

From: Eileen S. Julian
To: [House Community and Regional Affairs](#)
Subject: House Bill 269
Date: Friday, February 2, 2018 5:32:51 PM

To the Alaskan Legislature,

I completely disagree with the recent interpretations the Alcohol Board has made regarding distilleries and their ability to provide their products in a reasonable manner. Along the same line of thinking, it seems that they would argue that a grocery store cannot provide some cooked foods in their deli, because only a restaurant can provide that. There are huge differences in the ambiance and style between a full restaurant and a grocery store deli, and different clientele will prefer one over the other, but you would not pass a stupid law restricting a grocery store from selling some cooked foods, nor a restaurant from selling some bottled sauces or take-home breads. In the same way, a distillery is like a grocery store and the current interpretation the Board is making is beyond asinine. I can only guess that some restaurant owners (aka legit bars) feel that their business is threatened, but in truth the type of person who prefers the distinctly different atmosphere of a distillery usually does not choose to patronize bars--instead that asinine interpretation would stifle a growing industry and restrict our Constitutional freedoms. I thought I lived in ALASKA, where we value freedom and choice and limited invasive government.

Please make the RIGHT choice--respect my freedoms. Respect business rights. Show intelligent, thoughtful decisions. Please pass House Bill 269 to restore some common sense--although the fact that a law has to be made for this is also stupid, but apparently it is a necessity.

Sincerely,
Eileen Julian
Fairbanks, Alaska

Sent from my iPhone

From: kendall_somewhere@yahoo.com
To: [House Community and Regional Affairs](#)
Subject: Distillery question
Date: Saturday, February 3, 2018 9:22:52 AM

Dear committee members,

As a resident of Skagway I've been very pleased to have a new business in town. Our little distillery is well run, immaculately clean, and a wonderful new draw for locals and tourists. It's another help to our economy and would be nice to have as a year round operation.

Our community was very disappointed to hear that the family run business was no longer going to be a place for conversation and gathering as no one wants to drink 3 oz of straight gin or vodka. The care that went into the cocktails they served was part of what drew us to have a drink there. There is already a strict limit that is carefully adhered to, so there's no concern that patrons will be poorly behaved or any of the other ill affects of overimbibing.

I'm sure we are not the only town with the exact same concerns. Why can't the state just issue a different kind of license that allows these businesses to continue doing what they do so well. Many other states can be used as models for how to license them appropriately. Please do not stop Alaskan entrepreneurs when our state needs the influx of money. That would be shortsighted.

Please pass house bill 269 to correct the 2017 decision that effectively shut down Alaskan distillery tasting rooms.

Thank you for your time,
Kendall Emery
P.O. Box 1083
Skagway, AK 99840

via handheld device

From: Jill Shipman
To: [House Community and Regional Affairs](#)
Subject: Fairbanks Resident Testimony on HOUSE BILL NO. 269
Date: Saturday, February 3, 2018 11:30:54 AM

Dear Alaska House Community and Regional Affairs Committee,

I am a resident of Fairbanks, Alaska. I am testifying in support of House Bill No. 269. I support local businesses and diversification of economy in our state. I believe that distilleries should be able to include mixers, liquids, or garnishes, that are not alcoholic beverages with their distillery products.

Please pass House Bill No. 269 to strengthen the economy and enable these distilleries to better promote their products.

Respectfully Yours,

Jill Shipman
2548 Dall Sheep Lane Apt B
Fairbanks, AK. 99709

From: delia varkret
To: [House Community and Regional Affairs](#)
Subject: HB 269
Date: Saturday, February 3, 2018 7:33:18 AM

Hello,

I don't go to bars but now that Fairbanks has at least two distillery tasting rooms I frequently go there to enjoy cocktails, First Friday art events, and I go there for a quiet, smoke free space to visit for a bit.

I support HB 269 which amends the 2014 law to affirm that distilleries may serve their distilled product with other ingredients (alcoholic and non alcoholic, and including garnishes) to create mixed drinks/cocktails. If it is not explicit in HB269, it should state that the ingredients used to mix with the distillery product can be produced, manufactured, created by other companies and/or produced by the distillery.

I encourage you all to support this bill, and to support small local business.

Thank you for your time.

-Delia

Delia Vargas Kretsinger
1728 Old John Trail
Fairbanks, AK 99709

From: Lisa Daugherty
To: [House Community and Regional Affairs](#)
Subject: HB 269
Date: Saturday, February 3, 2018 9:16:41 AM

I wholly support tasting rooms serving mixed drinks. Distilleries are an up-and-coming industry in Alaska and we need to recognize that! People are not going to patronize tasting rooms if they have to sample only shots. Amalga Distillery in particular has added vitality to Downtown Juneau. We need to foster the development of businesses that serve LOCALS as well as tourists. Please support small business development in Juneau, not suppress it!

Thank you,
Lisa Daugherty

From: Atlin Daugherty
To: [House Community and Regional Affairs](#)
Subject: HB 269
Date: Saturday, February 3, 2018 9:20:03 AM

I wholly support tasting rooms serving mixed drinks. Distilleries are an up-and-coming industry in Alaska and we need to recognize that! People are not going to patronize tasting rooms if they have to sample only shots. Please don't let a wording issue wreck the business plans of our distilleries! Amalga Distillery in particular has added vitality to Downtown Juneau. We need to foster the development of businesses that serve LOCALS as well as tourists. Please support small business development in Juneau, not suppress it!

Thank you,
Thomas Atlin Daugherty

From: ML111
To: [House Community and Regional Affairs](#)
Subject: HR 269
Date: Saturday, February 3, 2018 9:03:38 AM

I support our local distillery here in Skagway, and the industry in general. Allowing the distilleries to serve their products in a tasting room environment allows them to introduce those products to new customers. Since most distilled liquors are designed to be consumed with a non-alcoholic mixer, it is appropriate to allow the distillers to market their products in the manner they are intended to be used.

Mark Larsen

From: Lori Neufeld
To: [House Community and Regional Affairs](#)
Subject: In support of tasting rooms serving cocktails
Date: Saturday, February 3, 2018 12:07:57 AM

Dear Alaska Delegation,

This letter is in support of allowing distillery tasting rooms to serve their 3 ounces of locally-produced spirits in a cocktail/mixed drink. My husband owns Fairbanks Distilling Company and has worked very hard to bring a corner of Downtown Fairbanks back to life. Small businesses, like distilleries, are an important part of our economic future. Our customers are tourists, locals, bar owners and servers. We need to highlight our products in the manner they are enjoyed at a bar, restaurant or at home. Our hope is that most Alaskan establishments will fill their shelves and menus with Alaskan-produced products. We need to be able to make cocktails to ensure this partnership is possible. Tourists and locals would like to enjoy a mixed drink from our knowledgeable distillery tenders. This encourages them to order that locally-produced spirit when they go out to dinner or drinks or when they go to buy a bottle at the store.

The current law already separates tasting rooms from bars in important ways. A limited amount is allowed per person, per day. Tasting rooms are closed by 8pm and no live entertainment or TVs are allowed. These are good rules that many folks enjoy.

Thank you for your time and for your support of local businesses in Alaska,
Lori Neufeld
Fairbanks, Alaska

From: Nancy Shima
To: [House Community and Regional Affairs](#)
Subject: public comment in support of allowing distilleries to serve their product samples in the form of cocktails
Date: Saturday, February 3, 2018 11:47:28 AM

I am writing this public comment in support of allowing distillery tasting rooms to mix/serve their featured products in combination with other liquid/solid components, and I strongly urge you to support the growth and success of our fledgling Alaska-Spirited alcohol production industries.

It is well-recognized that high-proof distilled products are often more desirably consumed in conjunction with other flavor-agreeable diluting components (i.e. served in forms such as a cocktail, toddy, on ice etc.) The alcohol regulatory board seems to acknowledge that a mixed drink form can provide an optimal sampling/consuming presentation, but apparently questions whether only a consumer or other person (rather than a distillery employee) should be allowed to prepare/combine the components that contrive their sample "mixed" drink. Either way, the same concoction or combination of ingredients can be consumed, but when the distillery employees (who have the most product expertise and interest) are not allowed direct control in the "samples' mixing processes, component proportions, and tastes, a significant aspect of the distilleries' most successful marketing tool stands to be undermined.

Allowing distillery personnel to prepare controlled batches of sampling drinks for public consumption helps assure that the tasting samples can be offered in their tastiest form. Tasting rooms are generally the most effective and the primary marketing tool that distilleries rely upon to promote (bulk) bottle purchases of their primary products for off-premises consumption. It seems only reasonable to support, rather than interfere with these current core marketing strategies. Please allow continued use of an optimal sampling mechanism in which employees can prepare and serve sample drink mixtures.

Alaskan communities are very proud of their unique Alaskan-spirit industries and products, and appreciate their added commerce and local contributions. We Alaskans must all pull together to help buck the tide of our state's present fiscal crisis, and I implore you to not legislate unnecessary hurdles that may interfere with their ability to present their great Alaskan Spirits!

Nancy Shima

Juneau Ak



Virus-free. www.avast.com

From: Angela Major
To: [House Community and Regional Affairs](#)
Subject: Remove restrictions on Alaska Distilleries
Date: Saturday, February 3, 2018 11:53:03 AM

Alaska distilleries are an important part of our Alaskan Economy and contribute more positively to tourism than bars and restaurants.

These distilleries are an important element of a growing tourism sector.

While I support the drink/food ounce maximum at our distilleries, we need to remove restrictions for mixed drinks and further allow for other activities to include entertainment, yoga, paint nights, whatever meets the needs of the community they operate in.

Distilleries provide a significantly different atmosphere than bars and restaurants. They draw a different clientele and frankly are more inviting than many bars and restaurants. Especially for a crowd that would not typically visit a bar.

Give distilleries the freedom to meet their customers demands and watch them even further grow our economy.

From: lhorvathk@mosquionet.com
To: [House Community and Regional Affairs](#)
Subject: support HB 269
Date: Saturday, February 3, 2018 11:47:38 AM

I fully support our distilleries and think that they shouldn't be restricted from mixing their product with the mixers they provide. Separating the alcohol from the mixers encourages drinking shots, which is irresponsible drinking.

It's also very "anti-Alaska" on the part of AMCO to work against, to stifle Alaska's newest small business ventures, instead of adapting the wording in the regulations to what they were originally intended to be.

Loretta Horvath
4115 Old Wood Road
Fairbanks, AK 99709

907-455-6923

From: Jochen Mezger
To: [House Community and Regional Affairs](#)
Subject: Support of House Bill No. 269
Date: Friday, February 2, 2018 9:57:08 PM

To whom it may concern,

I am a resident of Fairbanks, Alaska for the past five years. When I moved to Fairbanks from Germany, downtown Fairbanks was a place I rarely visited. However, in the past couple of years, new locally owned and operated businesses transformed it into an attractive location. Among the venues I frequently visit is the new distillery on Cushman street. They make great vodka there, and just recently opened their tasting room where you can get really delicious cocktails. Imagine my surprise when I heard last week that the Alaska Alcoholic Beverage Control Board upended the state's distilleries by approving new regulations that forbid them from serving mixed drinks. However, it would be possible to supply the ingredients for the drinks, only that the customers would have to mix the drinks themselves. Now this is utterly ridiculous, to be phrase it nicely. Stronger wording is actually be warranted.

The distillery in downtown Fairbanks, and those in other locations in Alaska, add tremendously to the attraction and flair of the cities and towns. They are locally owned and operated, sell local products, and support the local economy. I know the people who created the downtown Fairbanks distillery. They invested a lot of money and even more time to create this new business, and by the way, provide jobs for those who work there. Apparently the a board member of the AABCB is afraid that distillery tasting rooms become more like a bar. Well, they are not bars. They are nicer! He should visit one before he makes this assumption. So, in the opinion of the AABCB I should go to a bar and get my alcoholic mix drink there, most likely composed completely out of products NOT made in Alaska. Makes total sense to me. NOT!!!

To summarize my humble opinion, I do strongly support House Bill No. 269 in order to amend AS 04.11.170 and let Alaska distilleries continue to serve mix drinks on their premises.

Thank you very much for your consideration>

Sincerely,

Jochen Mezger
1745 Reed Circle
Fairbanks, Alaska
99709 USA

From: tamar harrison
To: [House Community and Regional Affairs](#)
Subject: Tasting rooms
Date: Saturday, February 3, 2018 10:53:12 AM

To whom it may concern,

First of all Thank you for your hard work and consideration. I live in Skagway, and the local small distillery opened this summer. It is a great small business run by a local family, and it provides a different atmosphere for both tourists and locals. With the current economic situation it is hard enough for small businesses to get going in Alaska, let's not make it harder. Please allow them to continue to serve mixed drinks in their tasting rooms.

Thank you again

Tamar Harrison

From: will@irwindigital.com
To: [House Community and Regional Affairs](#)
Subject: Testimony in regards to HB269
Date: Saturday, February 3, 2018 8:33:37 AM

Good Morning,

I'm writing this letter in support of Rep. Tuck's House Bill 269. I find it highly unfortunate that a small grey area in codified language has turned into such a political circus and believe that Rep. Tuck's bill is the right way towards resolution on this.

Thank you,

Will Muldoon
9451 Patricia Place
Juneau, AK 99801
907-957-3065

ARTICLE FOUND AT KHNS FM

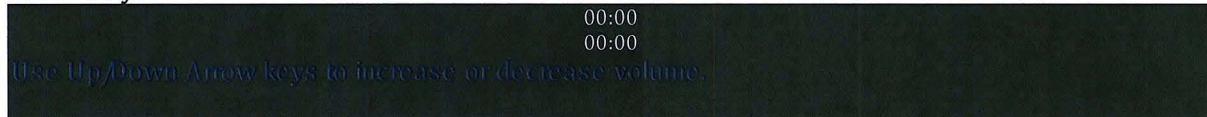
[HTTP://KHNS.ORG/HAINES-ASSEMBLY-WANTS-TO-KEEP-COCKTAILS-ON-THE-MENU](http://khns.org/haines-assembly-wants-to-keep-cocktails-on-the-menu)

HAINES ASSEMBLY WANTS TO KEEP COCKTAILS ON THE MENU

Posted by [Berett Wilber](#) | Dec 13, 2017 | [Featured Stories](#), [News](#) | [1](#) |

The Haines Assembly has decided to weigh in as distilleries and state regulators argue over the sale of cocktails.

Audio Player



With a unanimous vote, the Assembly agreed to send a letter to the State requesting cocktails remain on the menu in Alaska's distilleries.

Assembly member Tom Morphet brought the issue forward. He was motivated because of how changes could affect Haines' Port Chilkoot Distillery.

"There have been no public concerns as far as I can tell. The people at the distillery have put us on the map in terms of this new industry," Morphet said. "It behooves us as a community to support that previous understanding of the law."

When tasting rooms were legalized in 2014, many of Alaska's distilleries, including Port Chilkoot, began selling craft cocktails. That became controversial earlier this year after a complaint was filed with the State, and alcohol regulators revisited what was allowed under the law.

They came to the conclusion that contrary to what most distilleries had been doing for the last three years, the law only allowed them to sell unadulterated liquor — though they could offer juice and other mixers separately.



If proposed regulations pass, Port Chilkoot Distillery will only sell unadulterated samples or bottled liquor. (Berett Wilber)

Distillers have pushed back, with [a statewide campaign](#) to prevent the new rules from going forward. The message seemed to resonate in Haines.

“I think we’ve got to step up for business when we can. It’s hard in our environment, and this is one of the few things we can do that doesn’t cost us any money,” Assembly member Brenda Josephson said. “If it were a public safety concern, I’d feel otherwise. We’ve got to speak on behalf of business when we have the opportunity to.”

Morphet agreed.

“One of the reasons that I want to do this is because manufacturing is one area of the economy we can all get behind,” he said. “Taking a raw product, and turning it into a finished product — it’s the highest level of the capitalist system we live under. The highest level of achievement.”

Port Chilkoot owner Heather Shade was happy to hear the Assembly’s response.

“You know the community has just shown overwhelming support for our little business, as we go through this issue, and we really appreciated the Assembly’s willingness to submit a letter reflecting that,” she said. “It made us feel warm about our community.”

If the new regulations do go through, Shade worries plans to grow her business will stop. She says she'd have to close the tasting room in the winter.

The Assembly's comments will go to the Alcohol Beverage Control Board before it makes a final decision on the [draft regulations](#) in January.

Alaska Dispatch News

Business/Economy

No mixed drinks allowed at Alaska distilleries, state alcohol board rules

✍ Author: Laurel Andrews ⓘ Updated: 17 hours ago 📅 Published 18 hours ago



Heather Shade mixes a cocktail at the Port Chilkoot Distillery in Haines. (John Hagen Photography)

Alaska's distilleries can no longer serve mixed drinks to customers, the state agency overseeing alcohol ruled Tuesday.

In a 3-1 vote, the Alcoholic Beverage Control Board decided that distilleries — which make vodka, gin and other types of distilled alcohol — have to stop serving cocktails in their tasting rooms. The ruling may change how the state's distilleries do business.

The decision centered around vague language in Alaska's laws that says the businesses may serve "the distillery's product" to customers. After complaints landed at the state regulatory office this summer, months of debate followed about exactly what that meant and how it was being applied in distilleries across the state.

Tuesday's vote clarified that the "product" is "distilled spirit made or distilled in the licensed facility," and can't include other things like tonic or other mixers.

But, distilleries will be allowed to "separately serve other types of nonalcoholic mixers/garnishes," Alcohol and Marijuana Control Office Director Erika McConnell wrote in an email.

That means a distillery could serve a customer two glasses, one with gin, and the other with tonic, which the customer could then mix themselves.

[After legal confusion, Alaska distilleries can serve cocktails – but there's a twist]

Distilleries say they've been serving cocktails since 2014, when legislators passed a bill allowing for distillery tasting rooms. Alaska regulators said that they didn't know distilleries were selling cocktails for the past three years.

"The purpose of the law was to allow the distilling industry to promote and sell our products directly to the consumer, just like the breweries do," Heather Shade, co-owner of Port Chilkoot Distillery in Haines, wrote in public comment to the board.

"Spirits are unique in the way that they are prepared and there is no reason to limit how we serve them," Shade wrote.

Bars spoke out against the practice. The Alaska Cabaret, Hotel, Restaurant and Retailers Association — known as CHARR — said it would never have supported allowing for tasting rooms if it had known they would become "de facto bars."

Distilleries said that rules were put in place specifically to prevent them from becoming bars. Customers may only have 3 ounces of alcohol. Alcohol can't be served after 8 p.m. Entertainment is banned. Bar stools are not allowed.

As of September, nine distilleries were operating in Alaska. Anchorage Distillery is the only one in Alaska's largest city.

More than 500 pages of public comment were submitted in advance of Tuesday's meeting.

McConnell wrote that the Department of Law would receive the adopted regulation next week. After the agency's review, the adopted regulations will be sent to Lt. Gov. Byron Mallott. Regulation is effective 30 days after he signs it.

About this Author

Laurel Andrews

Laurel was born in Bethel and grew up in Fairbanks. She covers cannabis and general assignments. Reach her at laurel@adn.com or 907-257-4382.

Comments

Alaska Dispatch News

MAKING IT: Building Southeast Alaska's first distillery

SPONSORED: One couple navigated uncharted straits to infuse whiskey and other spirits with Alaska flavors and history.

 Author: Presented by First National Bank Alaska  Published August 25, 2016

There's no such thing as a normal business day for Heather Shade and Sean Copeland.

"On any given day there are hundreds of things that need to be done and we'll need to pick maybe the best 10 to do that day," Copeland said.

While it's not uncommon for new business owners to be busy, what is uncommon is having an audience watch every step of their daily process.

The duo owns and operates Port Chilkoot Distillery in Haines, Alaska. At their distillery, they do everything from crafting recipes and distilling spirits to bottling their products and shipping their wares across the state. Patrons can watch it all from the comfort of Port Chilkoot's tasting room. From a spot at the bar, patrons can see the 125-gallon copper pot still running just eight feet away, watch whiskey get barreled, peek into the boiler room if the door is open and can smell the herb, oak and spirit aromas as the various liquids distill.

"You can basically get a tour of the place without actually getting a tour," Copeland joked.

Location first

Copeland and Shade, both Haines transplants, knew two things for certain: they wanted to live in Haines and to do so, they needed to create their own jobs.

"Sean claims I was already talking about opening a distillery when we met," Shade said. She thinks there were other good ideas. "This one has enough complexity and sustainability in the long run to keep us engaged and interested."

Copeland said Haines isn't a place known for its production. It's small, remote and only gets one barge a week. He said the only other manufacturing company in town builds hot tubs.

"I don't think many other people would want to start a factory in Haines," Copeland said. "But to us, this felt right. We'd get to make a business where people could enjoy the whole package—from the building to the product."

While Port Chilkoot officially opened its doors in 2013, the couple spent over a year getting the business ready.

Shade wrote a business plan that would allow them to create and export their products. Copeland, a contractor by trade, set to work restoring and converting a historical bakery into a space where the distilling equipment and tasting room would be at home. The restoration process took a year. Installing the equipment took another six months.

In October 2013 they had distilled their first whiskey.

Now they have five signature spirits: 50 Fathoms Gin, Boatwright Bourbon, Wrack Line Rye, Icy Strait Vodka and Green Siren Absinthe.

"All of them are a tribute to our local fishing community," Shade said. "That community is a staple of our economy here. Icy Bay is where our fleets go fishing, 50 fathoms is a good depth for halibut fishing."

In the tasting room their staffers craft unique cocktails using those products or serve the alcohol straight. The adventurous and the indecisive can try it all in mini sampler-sized flights.

"We like to mix drinks with local seasonal fruits," Shade said. "The nature of high proof spirits is that they're designed to be in a cocktail, so we make cocktails that are both our twist on the classics and best highlight the unique flavors."

Starting from scratch

Small-scale distilling is still a fairly new venture in the U.S., thanks in part to leftover legislation from the Prohibition era. Shade and Copeland were at the forefront of a craft distilling renaissance in Alaska. It was fun to be at the beginning of a movement, they said, but the road to becoming an established distillery had many more challenges than other start-ups.

"The laws weren't really modernized to accommodate this kind of business," said Shade. "There were pages and pages of laws pertaining to breweries and just a couple sentences about distilleries."

Those few lines didn't specify how businesses could distribute their wares to bars or liquor stores, didn't allow for tasting rooms on site and didn't allow them to sell their products directly to individuals. So they took matters into their own hands. They started the Distillers Guild of Alaska and were lobbying for bills to be passed so they could get into the tourism market and become a destination to try spirits.

Now they're able to distribute bottles and serve up to three ounces per customer, per day in their tasting room. Their next battle is a push for legislation that would give them the same lower tax rates as small scale breweries.

Distilling is a business that's prohibitively capital intensive upfront. A potential distillery needs to have a secure building and equipment in place before they can even apply for the federal permit to run a distillery. For them it meant cutting way back on personal spending and forgoing fun. They couldn't even practice recipes in the interim—home distilling is still illegal in the U.S.

"There wasn't a list of how to start a distillery," Shade said. "We're regulated by a lot of different federal and state agencies, so we've had to be really proactive about figuring out what the requirements are and asking the right questions—from how to follow code to finding people locally to install uncommon equipment."

Job creators

This year Port Chilkoot is looking at producing 12,000 bottles of spirits. Roughly half of the liquor—minus some reserves left to mature in barrels—will be sold in stores and Alaska bars and half will be sold by the bottle or served as drinks in their tasting room to locals and travelers. And it's not just the two of them running the show now. To date, they've added seven jobs to the Haines community.

"We're at the point where we're not a startup anymore, so we're focusing on setting up the business to be sustainable in the future," Shade said.

Each year since its inception, the company has had to rewrite their business plan—they're growing too rapidly. Copeland is currently making plans to build a new warehouse to store their aging whiskey barrels so they can mature for a longer amount of time. He's also looking for ways to expand their tasting room.

"It's just a little too small for the traffic we had this year," Shade said. "We can grow easily with the demand we have now."

They're also looking for more ways to use resources closer to home. Already their absinthe uses herbs (wormwood, lemon balm, hyssop) grown by local farmers, but they're hoping to find more ways to shorten their supply chain.

And even as they look at local assets, the duo is eyeing Outside markets where they can export their 50 Fathoms Gin, their most popular and award winning product.

For them, there's no end to the creativity they can put into it, the knowledge they can amass or the directions they can go with their company. But Shade said they're proud of what they've accomplished thus far.

"We feel like we did what we set out to do," she said. "We get a lot of visitors that have read about us and get a lot of feedback about this being one of the highlights of their trip to Haines: spending time at a high-quality, small business that represents the community well."

Read another MAKING IT success story here.

This article was produced by the special content department of Alaska Dispatch News in collaboration with First National Bank Alaska. Contact the editor, Jamie Gonzales, at jgonzales@alaskadispatch.com. The ADN newsroom was not involved in its production.

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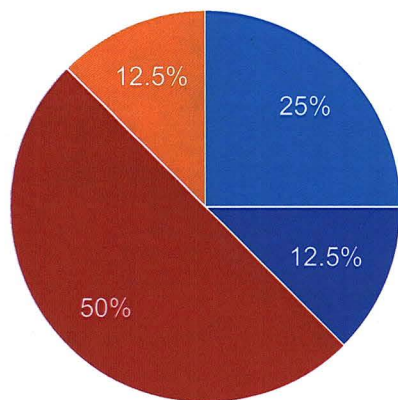


Alaskan Distillery Survey

8 responses

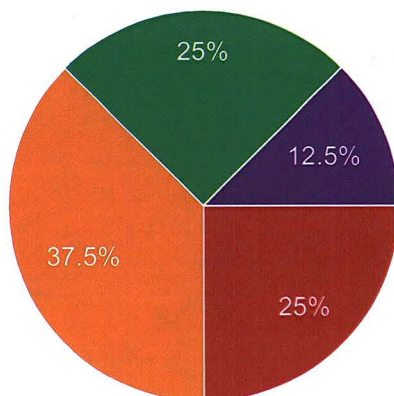
What year did you begin production?

8 responses



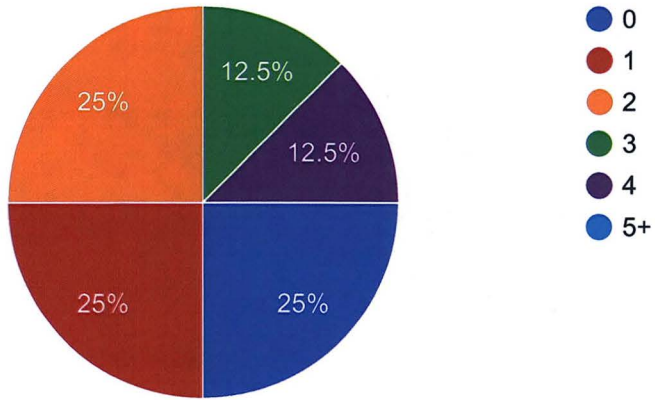
How many employees do you have (full time equivalent)?

8 responses



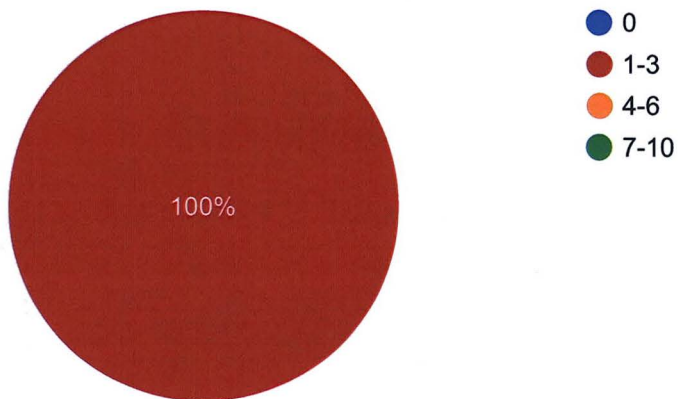
How many jobs did you create in 2017 (full time equivalent)?

8 responses



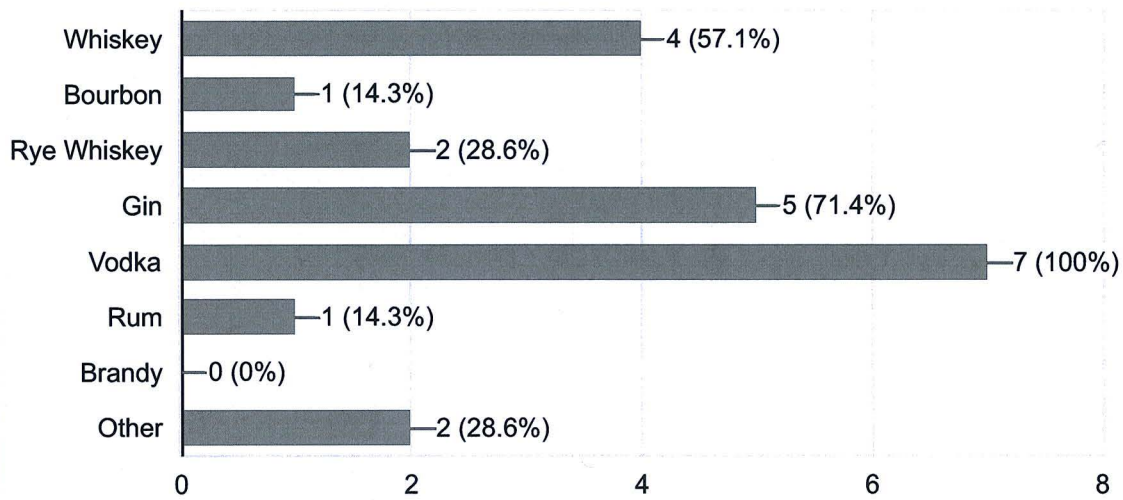
How many jobs do you plan on adding in 2018?

8 responses



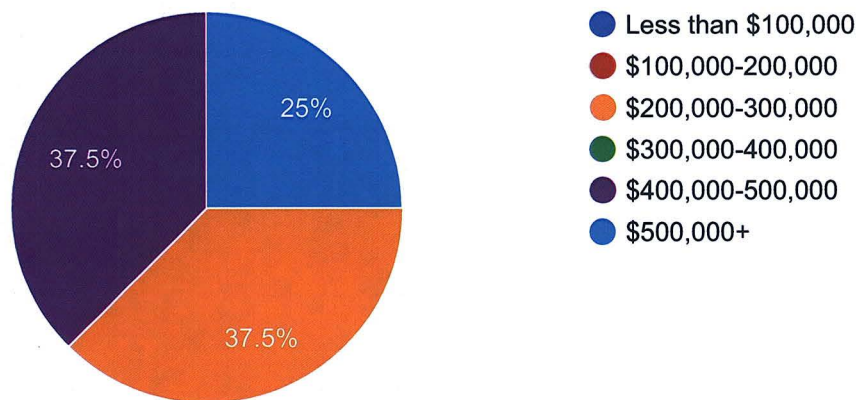
What types of spirits did you produce in 2017?

7 responses



What was your initial capital investment into your operation?

8 responses



Do you plan on making further capital investments into your business in 2018? If so what kinds (equipment, infrastructure, renovations)?

8 responses

Yes, equipment and infrastructure

New Buildings, More Equipment, Operating Capital

This is difficult to predict. I was hoping to add another still and more bottling equipment in 2018. The still might have to be put off until 2019.

Commercial dehydrator to provide all Alaskan Potatoes

Yes- we plan on purchasing additional equipment and possibly developing another facility to keep up with production.

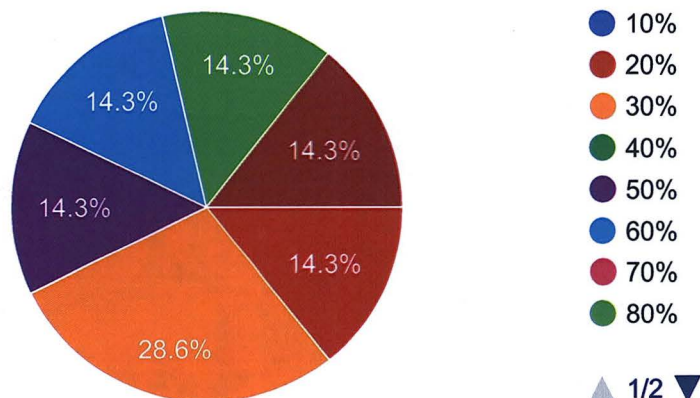
Equipment, infrastructure, and renovations.

Planned for 2019 - more tanks

Renovations
Buy vehicle
Buy equipment

In 2017, what percentage of your visitors were tourists?

7 responses



Please list other Alaskan businesses you have worked with (ex: to source ingredients for your tasting room or distilled products).

8 responses

Local farmers, liquor stores, printing companies, grocery stores, shipping companies, restaurants/bars

Alaska Marine Lines, Four Winds Farm, Found Root, Calypso Farm, Dipper Kitchen, Moxy Bitters, Haines Gardeners and Farmers, Haines Brewing Company, Alaska Brewing Company, Double Shovel Cider, Extreme Dreams Gallery, Laura Rogers Graphic Design, Shtumpa printing, Southeast Alaska State Fair, Oleruds Market, Howser's IGA, Outfitter Liquor, Ripinsky Roasters, Heritage Coffee Company

We buy barley from two different grain farmers in different parts of Alaska: AK Flour Co in Delta, and Blain Ashcroft in Nenana. We currently buy about 2 tons per month and we hope to get that up to 2 tons per week in a year or two. We have been doing extensive shipping with American Fast Freight. We have been printing promotional materials at Advance Printing, Jolly Roger, and Auto-Trim Design in Fairbanks. We use Explore Fairbanks for advertising on a regular basis. We regularly purchase from Bill's Distributing.

Farmers, furniture makers, artists, electricians, plumbers, contractors

Goldbelt, Barnacle, Coppa, Anchorage Distillery, In Bocca Al Lupo, Salt, McGivneys, The Rookery, Rendezvous, Anchorage Distillery, Alaska Brewing Company, Barnaby Brewing Company, Devil's Club Brewing, Marms and Meeks, Alaska Robotics, Mack Provisions, Panhandle Provisions, AK Probiotics, Chef Stef, Sweet Song Chocolates, AK Fly Fishing Goods, Aleph Woodworking, Rainforest Custom, Frenchies Floral, Salt and Soil Marketplace, The Port

High stakes farming
Pickled Alaska
Fairbanks co op market
Alaska feed company
Alaska toddy bear
Goldstream Valley Peony farm
Hungry robot
Chinook hotdogs
Dennis green and sons farm
The Ester republic
Fairbanks daily news miner
Individual community members
Alaska T-shirt company
Trademark
Alaska bowl company
Arctic sun virtual reality
Little plum gardens
Local artists

We use all Alaskan grains, so our raw materials are sourced from farmers in the Mat-Su and in Delta Junction. We use local printing, catering, local companies for our glassware, and for the shirts and hats

and other products sold at our tasting room.

Alaska Marine Line for shipping raw products, equipment, bottling and tasting room supplies.

Local grocery store.

Juneau Costco

We are working with a local glass blowing business for souvenir glassware

We are working with local tour companies to broker our upcoming tour in 2018

We are net working with a local tour business to partner their tour with a stop at the distillery

Anything else you want to add about your distillery's impact in the state (economic, to your community, etc.)?

6 responses

Our tasting room and production facility are a huge draw for tourism in Haines. Visitors travel to Haines specifically to visit the distillery, get a tour, taste the products, get recipe ideas, and meet the craftsmen. Our advertising and marketing draw people to Haines where they patronize other businesses. The distilled products have become top sellers for other local retail and on-premise businesses. We also fill a niche for the local community, especially during winter when other businesses are not able to stay open. Because of the special symbiosis of our tasting room to the manufacturing process, we are able to keep a heated, well-lit space open for community members to gather, socialize, and hold community events, even in the winter. We have brought new skill development to the workforce in Haines. Distilling is a technical skill that applies to many other industries and our other jobs emphasize tourism, retail, customer service, strategic planning, business development, supply chain management, and sales that are unique to our industry.

We do nearly all our purchasing at local stores (mostly Fred Meyers and Safeway). We provide Good Titrations with some of our production waste, which they are able to use as a cleaning solvent and reduce hazardous waste in the community. We donate our spent grain (grain solids) to local livestock farmers as a high quality animal feed (a considerable amount since we process so much grain). We buy local fruits (chokecherries, rhubarb, et cetera) from individuals for processing into uniquely Alaskan drinks. We are dues paying members of CHARR, the Fairbanks Chamber of Commerce, Explore Fairbanks, and the Distiller's Guild of Alaska. We are working with K&L Distributors- they are selling our products statewide now, and we hope to move into export through them and their nationwide partners. We pay State and City taxes on our liquor. We sponsored a local woman race car driver, and we regularly contribute to fund raising efforts (notably the American Red Cross, Cancer Research, the Fairbanks Feminist Fundraiser of Fairbanks, and a local gym- Gymastics Incorporated) as we are able.

We are also helping build local artists "brands" by showcasing their art on a monthly basis. This will bring more revenue to the state, as well as help to our local artists.

The main impact that my distillery has in the state is at the local community level. My distillery doesn't even break even a lot of the time, but it ALWAYS puts an immense amount of money back into the local community. It also provides a great gathering place for community members and provides an atmosphere that you just don't find in skuzzy bars around the state.

In addition to the local service and professional companies we use, we give back by supporting local charities and non profits with our product, our time and helping to stage fundraising events.

We paid city and state taxes.

We are a tourist destination that in turn sends visitors to other business

We helped a small business start up by having a food cart at the distillery

We hired professional contractors to assist with our build out

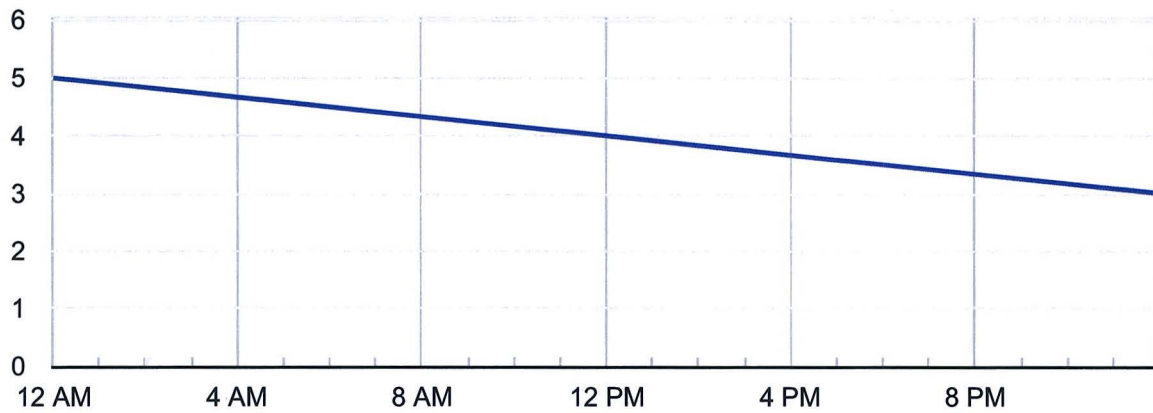
We use the services of the local utility, and fuel companies

We are manufacturing in Alaska a product we plan to export (like Alaskan Beer Co.)

We supported local artists by showcasing their work in the tasting room

We supported local fundraisers

Number of daily responses



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	# of Taxpayers	Gallons Sold		Tax Amount (Not Collected)		Value of	
		Directly to Customers	Tax on Direct Sales	Gallons Sold to Distributors	Directly from Distiller)	Gallons Sold Out of State	Exported Product Not Taxed
FY15	6	1,036.1	\$ 13,261.62	4,012.0	\$ 51,353.06	-	\$ -
FY16	6	1,646.4	\$ 21,074.44	6,225.3	\$ 79,684.06	509.0	\$ 6,515.58
FY17	10	2,540.4	\$ 32,516.71	6,767.1	\$ 86,618.33	-	\$ -
		5,222.9	\$ 66,852.77	17,004.3	\$ 217,655.45	509.0	\$ 6,515.58

	Total Gallons Sold		% Sold to Distributors	% Sold Out of State	Total State Revenue
	Sold	% Sold Directly			
FY15	5,048.02	21%	79%	0%	\$ 64,614.68
FY16	8,380.79	20%	74%	6%	\$ 100,758.50
FY17	9,307.43	27%	73%	0%	\$ 119,135.04
	22,736.2				\$ 284,508.22



PIONEERING SPIRITS

ALASKA BREWERS AND DISTILLERS ARE CRAFTING EXCELLENCE

BY RENEE BRINCKS

At first glance, the production space at Ursa Major Distilling looks like many other small-batch operations: a line of fermentation tanks, a still with columns stretching up from a silver drum, wooden barrels used to age spirits.

Look closer, however, and you'll discover several unusual components in this Fairbanks facility. A standard power drill propels a mill that grinds barley. Owners Rob and Tara Borland use a canoe paddle to stir the mash, a mix of milled grain and water that's fermented to create alcohol. The still, which extracts alcohol after the mash is strained, is a stainless steel drum fitted with pipes from a plumbing supply store. Those pipes are stuffed with structured copper mesh normally used as a packing material.

By designing and building his own equipment, Rob Borland established a distillery for a fraction of the normal cost. That self-reliant mindset, often associated with Alaska, extends to the company's sourcing practices. The Borlands ferment rum with Alaskan sourdough, flavor gin with rhubarb from their own garden and purchase Ursa Major's grain from regional farmers. Barley grown in Delta Junction lends a faintly sweet, almost strawberry note to the Long Winter Vodka.

"We try to stay as local as we can," says Borland, who distributes

Ursa Major spirits almost exclusively in the Fairbanks area. The Kenai Peninsula native was inspired by the business practices of his hometown's Homer Brewing Company, which also keeps its products local.

Craft beer and spirits are big on the Last Frontier, from Silver Gulch Brewing, Ursa Major's neighbor and America's northernmost brewery, to the new Icy Strait Brewing along Alaska's Inside Passage near Juneau. The state's thriving industry includes five established distilleries (with a sixth on the way) and more than two dozen existing and planned breweries. A 2014 report from the Brewers Association, a Colorado-based organization representing small and independent American craft brewers, measured a \$239 million annual economic impact from Alaska's breweries alone.

Like Ursa Major, other producers look to local ingredients to capture a true taste of Alaska. Fairbanks Distilling Company, which begins production in a former city hall building this autumn, will use Tanana Valley potatoes and Delta Junction barley. Anchorage Distillery sources barley, wheat and winter rye from Alaska farms, and gathers water from a lake fed by the Eklutna Glacier. Hoodoo Brewing Company in Fairbanks purchases local pumpkins for its fall pumpkin ale, while other artisans incorporate Alaska blue-



HEATHER SHADE (2)

berries, highbush cranberries, rose hips, spruce tips, artemisia (wormwood) and herbs into their beers and spirits.

“People are curious about local products. They want something from the source, and they want to know who made it,” says Hoo-Doo’s Karen Wilken.

At Port Chilkoot Distillery in Haines, a new tasting room opens into the production space so that guests can watch as Heather Shade and Sean Copeland create and hand-bottle their small-batch spirits. Copeland spent a year repurposing the building, a former military bakery on historic Fort Seward that now features reclaimed wood fixtures and custom-built steel and copper kettles. Despite their non-distilling background (Shade was a National Park Service biologist and Copeland a carpenter), the couple has created a gin that won two prestigious awards in 2015: a double gold medal at the San Francisco World Spirits Competition and a gold at the American Craft Spirits Association competition. The 50 Fathoms Gin balances juniper essence with earthy spruce and cinnamon, and the citrus finish comes from tangerines that Shade’s parents ship from their California farm.

Shade and Copeland’s decision to open a distillery in a small, rural Southeast Alaska town came from a desire to create careers

Owner Rob Borland (at left, above) designed much of the equipment at Ursa Major Distilling in Fairbanks; he uses local ingredients for spirits such as rum.

that would keep them in Haines while providing personal and professional growth. They also saw an opportunity to work with the region's tourism industry. As the founding president of the Distillers Guild of Alaska, Shade and her colleagues lobbied for 2014 legislation that allows distilleries to operate on-site tasting rooms and offer limited samples and sales.

"That single thing—allowing us to have visitors and thereby join the tourism industry—is what enables us to survive in this kind of business," says Shade, who now welcomes locals as well as cruise ship and ferry passengers and independent travelers exploring Alaska by air and road.

A few blocks away, Paul Wheeler and Jeanne Kitayama are finishing a new downtown Haines Brewing Company location that opens this fall. Wheeler built his original brewing system using old dairy tanks shipped up from Iowa and Minnesota, and the business has operated in its original Dalton City spot since 1999. Haines Brewing concentrates on local distribution only. Captain Cook's Spruce Tip Ale, one of the

brewery's biggest

Port Chilkoot Distillery (below) welcomes visitors to its Haines tasting room. Craft brewery pioneers Geoff and Marcy Larson show off their flagship Alaskan Amber Ale in Juneau (right).

subtle fruit and spice flavors. It's seasoned with spruce tips that Wheeler, Kitayama and their friends harvest by hand.

"We're not striving to be a regional brand you can get anywhere," Wheeler says. "The beauty of travel is finding local products you can't taste at home."

On the Kenai Peninsula, Soldotna

Brewing in 2006, just before Frank and Debara Kassik opened Kassik's Brewery up the road in North Kenai. The three entrepreneurs had to encourage local customers to try something new; many were loyal to big-brand lagers without the flavor complexities of these new craft releases. Kenai River Brewing's Breakfast Beer, for example, has hints of milk, oatmeal and chocolate and looks indigo in the glass.

This August, Kenai River Brewing broke ground on a new



CRAFTING A TOUR

Bryan Caenepeel spent 10 years as a local guide before launching Big Swig Tours, a 3.5-hour exploration of the Anchorage beer scene. During stops at Midnight Sun Brewing Company, King Street Brewing Company and other locations, guests sample a dozen Alaskan beers, fuel up on appetizers, and join brewers on behind-the-scenes tours that explain the production process. Caenepeel also shares stories from the state's brewing past and present between stops.

Big Swig departs six days a week in the summer and offers by-appointment outings throughout the winter. The company is developing an expanded tour that will soon travel to breweries in the Matanuska-Susitna Valley, north of Anchorage.



Economic Development Director Stephanie Queen also sees craft beverage production benefiting both local tourism and local quality of life.

"A few years ago, we were fighting the perception that there was nothing to come back here for. Now that's no longer the case," she says.

Queen cites community building efforts by Kassik's Brewery, St. Elias Brewing Company, Kenai River Brewing, High Mark Distillery and other producers who support local charities, sponsor events and create popular gathering spots. Her office works

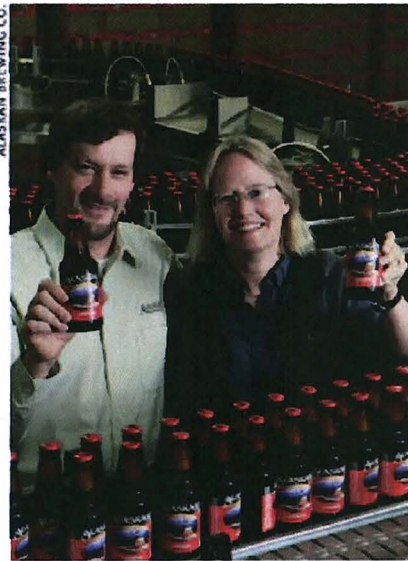
to help such businesses, much like homesteaders who arrived in Soldotna in 1947.

"This is still a place where you can take a risk to create something from nothing, and you'll see it succeed," she says.

Former teacher Doug Hogue took that kind of risk when he debuted Kenai River



BETHANY GOODRICH



ALASKAN BREWING CO.

ANCHORAGE

Gold Quartz

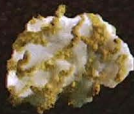


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facility off the Sterling Highway, near Soldotna Creek Park. Hogue is doubling his brewing capacity, and he's adding outdoor seating, nature trails and an expanded, family-friendly tasting room.

"The community has really come together and supported breweries here on the peninsula, and across the entire state," says Kenai Peninsula resident and beer writer Bill Howell. He chronicles the state's brewing history in his 2015 book, *Alaska Beer: Liquid Gold in the Land of the Midnight Sun*.

During the late 1800s and early 1900s, Howell explains, a brewery's opening helped confirm a community's transition from trading post to established town. Some early residents took issue with alcohol and banned it entirely; today, some Alaska localities still outlaw alcohol. But other communities dedicated pioneer beer and spirits revenues to infrastructure.

"The first public schools in Alaska were built with revenues from saloon fees," Howell says. "They were essential drivers in economic development."

Prohibition ended legal brewing and distilling in the state. And a redirection of resources during World War II all but halted new beverage production. High shipping and distribution rates further slowed the industry's growth in Alaska, and those costs continue to challenge current-day producers.

Despite all those obstacles, a pioneering Juneau couple kick-started the state's brewing resurgence in 1986. Geoff and Marcy Larson opened Chinook Alaskan Brewing Company (later renamed Alaskan Brewing Company) with the support of 88 private investors who saw potential in the young couple's plans. Today, Alaskan Brewing distributes to 17 U.S. states, and it ranks 20th on the list of top American craft brewing companies. Alaskan sells 161,700 barrels a year; by comparison, the largest U.S. craft brewer, Yuengling of Pennsylvania, sells 2.9 million barrels annually.

Alaskan Brewing's first release was an amber ale inspired by an old recipe from Douglas City Brewing Company, which

The original "where everybody knows your name bar"!

NON-SMOKING ESTABLISHMENT



Darwin, the owner of this world famous bar, insists on his all female staff running an old fashioned bar featuring craft and domestic beers, a premium well and an honest shot.

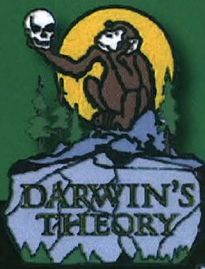
This small downtown bar is a favorite "Tourist Trap" where the locals view the "Urban Wildlife."

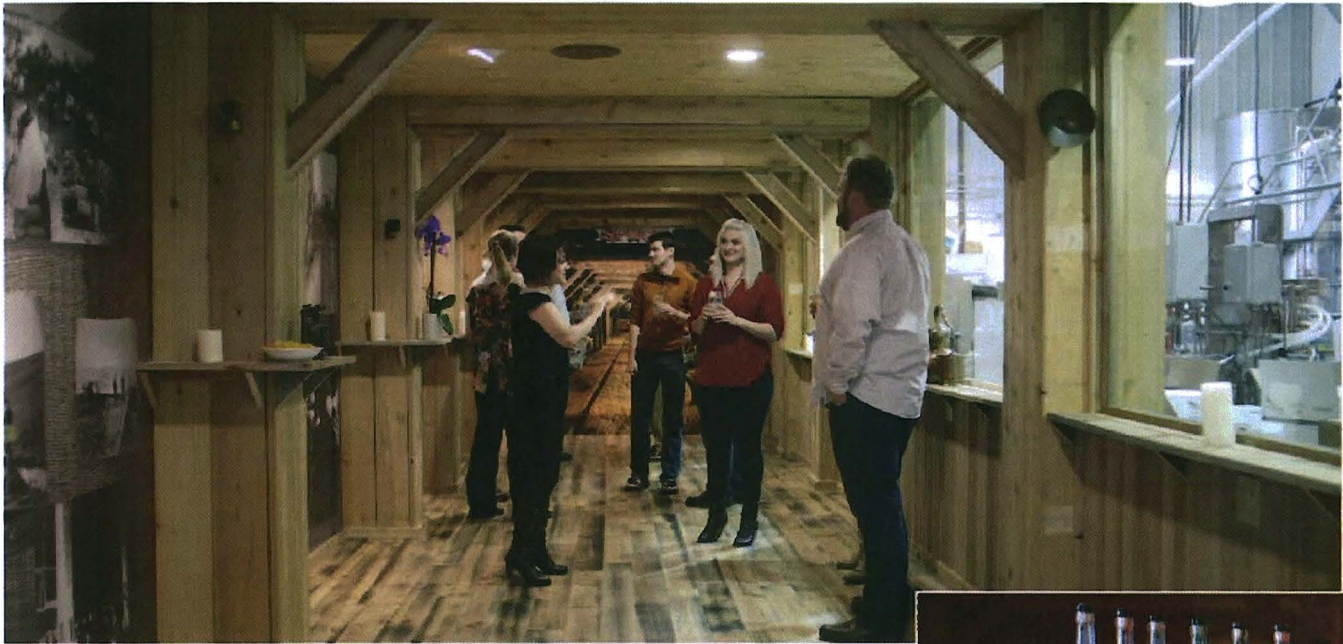
Voted the Best Popcorn,
Best Jukebox and Best Small Bar.

Darwin's signature drink is the Cinnamon Red Hot and is the world's biggest seller of Cinnamon Schnapps.

Darwin's Theory
426 G Street
Anchorage, AK 99501

(907) 277-5322





operated near Juneau in the early 1900s. The coppery-colored beer is smooth and malty, balanced with just a hint of bitterness. When Alaskan Amber won Great American Beer Festival medals in 1987 and 1988, it brought national attention to the state's then-fledgling brewing industry. Expansion continued from there, but the company still keeps its focus close to home.

Visitors to the Anchorage Distillery tasting room can sample four different types of vodka, plus gin and whiskey.



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"Inspired by their experience getting the finances and having buy-in from all these Alaskans, Geoff and Marcy became incredibly committed to making beer that represents Alaska—and especially Juneau," says Andy Kline of Alaskan Brewing.

Because Juneau is only accessible by flight or ferry, the brewery also takes innovative steps to control shipping costs while lightening its environmental impact. A custom steam boiler that powers production equipment runs on spent grain, a byproduct of the beer-making process. Alaskan Brewing also captures carbon dioxide from fermentation and recycles it for production.



CHRIS AREND

In addition to its artisan ales and lagers, Glacier BrewHouse has great pub food at its downtown Anchorage location.

The success of Alaskan Brewing paved the way for other standouts statewide, including Midnight Sun Brewing Company, celebrating 20 years; Broken Tooth Brewing, winner of nine Great American Beer Festival medals; and Anchorage Brewing Company, a recent addition that distributes its respected barrel-aged beers globally. But, as Alaska's brewers and distillers distinguish themselves with distinctive recipes and methods, Paul Wheeler of Haines Brewing believes that one similarity remains.

"We're all in this business to make a great product." ▲

Renee Brincks is based in San Francisco.

Alaska Airlines provides daily service between many cities in Alaska and multiple airports in the Lower 48; for tickets and information go to alaskaair.com or call 800-ALASKAAIR.

Business booms for Iowa's Distilleries

New state law has been a game changer for distilleries

By: Kelley Bowles  (mailto:kbowles@whbf.com)

Posted: Jan 26, 2018 09:50 PM CST

Updated: Jan 26, 2018 09:50 PM CST

(Interactive Media Not Supported by Print)

Business is booming for distilleries across Iowa.

Distilleries have been able to sell drinks at their locations since July. Distilleries across the state were limited to tours and samples on-site until then. Now one local distillery owner says the new law has been a game changer.

For nearly 5 years Ryan and Garrett Burchett fought for the change. Now they say the customers and opportunities have been pouring in. What once started as an idea for the Bruchett brothers, has become a popular hang out in the heart of Downtown LeClaire.

The Bruchetts opened the Mississippi River Distillery Co. in December of 2010.

"We thought it was an interesting opportunity to get on the ground level of something cool," said Ryan. "Now we have a cocktail bar and people are just raving about the different cocktails and different flavors that we come up with."

On Friday afternoon, guests were kicking off their weekend with custom cocktails.

"If you have any questions about anything, it really helps to have somebody who literally works where it's made and knows the process through and through," said visitor Alexa Parkin.

But at this time just nine months ago, that wasn't the case.

"It used to be you came, you took a tour, go 'Oh that was nice', whatever, but once you'd seen it there was no reason to come back," said Ryan.

Before the new law took affect, the brothers were competing with not just businesses in the area, but across the river on the Illinois side.

Craft Beer Is the Strangest, Happiest Economic Story in America

Corporate goliaths are taking over the U.S. economy. Yet small breweries are thriving. Why?



A tasting at Brooklyn Brewery, in New York

Sara Hylton / Reuters

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The monopolies are coming. In almost every economic sector, including television, books, music, groceries, pharmacies, and advertising, a handful of companies control a prodigious share of the market.

The beer industry has been one of the worst offenders. The refreshing simplicity of Blue Moon, the vanilla smoothness of Boddingtons, the classic brightness of a Pilsner Urquell, and the bourbon-barrel stouts of Goose Island—all are owned by two companies: Anheuser-Busch InBev and MillerCoors. As recently as 2012, this duopoly controlled nearly 90 percent of beer production.

This sort of industry consolidation troubles economists. Research has found that the existence of corporate behemoths stamps out innovation and hurts workers. Indeed, between 2002 and 2007, employment at breweries actually declined in the midst of an economic expansion.

But in the last decade, something strange and extraordinary has happened. Between 2008 and 2016, the number of brewery establishments expanded by a factor of six, and the number of brewery workers grew by 120 percent. Yes, a 200-year-old industry has sextupled its establishments and more than doubled its workforce in less than a decade. Even more incredibly, this has happened during a time when U.S. beer consumption declined.

Net New Jobs at American Breweries, 2001-2016

Data: Bureau of Labor Statistics

Total Employment at U.S. Breweries, 2001-2017

Data: Bureau of Labor Statistics

Preliminary mid-2017 numbers from government data are even better. They count nearly 70,000 brewery employees, nearly three times the figure just 10 years ago. Average beer prices have grown nearly 50 percent. So while Americans are drinking less beer than they did in the 2000s (probably a good thing) they're often paying more for a superior product (another good thing). Meanwhile, the best-selling beers in the country are all in steep decline, as are their producers. Between 2007 and 2016, shipments from five major brewers—Anheuser-Busch, MillerCoors, Heineken, Pabst, and Diageo, which owns Guinness—fell by 14 percent. Goliaths are tumbling, Davids are ascendant, and beer is one of the unambiguously happy stories in the U.S. economy. The same effect is

happening at liquor distilleries and wineries. Employment within both groups grew by 70 percent between 2006 and 2016, thanks, in part, to the falling real costs of booze-producing equipment and the ease of advertising local businesses on social media.

When I first came across these statistics, I couldn't quite believe them. Technology and globalization are supposed to make modern industries more efficient, but today's breweries require more people to produce fewer barrels of beer. Moreover, consolidation is supposed to crush innovation and destroy entrepreneurs, but breweries are multiplying, even as sales shrink for each of the four most popular beers: Bud Light, Coors Light, Miller Lite, and Budweiser.

The source of these new jobs and new establishments is no mystery to beer fans. It's the craft-beer revolution, that Cambrian explosion of small-scale breweries that have sprouted across the country. The West is leading the way—cities with the most craft breweries include Portland, Denver, San Diego, Seattle, and Los Angeles—but the trend is nationwide. In Illinois and Idaho, brewing jobs grew by a factor of 10 between 2006 and 2016, according to the Bureau of Labor Statistics. According a BLS economist that I spoke with, 2016 was likely the best year for job creation at breweries in American history.

But what explains the nature of the craft-beer boom? From several interviews with economists and beer-industry experts, I've gathered that there appear to be two big reasons—a straightforward cause and a more complex and interesting history.

The first cause is something simple yet capricious—consumer tastes. “At the end of the day, the craft-beer movement was driven by consumer demand,” said Bart Watson, the chief economist at the Brewers Association, a trade group. “We've seen three main markers in the rise of craft beer—fuller flavor, greater variety, and more intense support for local businesses.” These factors are hardly unique to the beer industry. One could use the same descriptors to explain the concurrent rise of fast-casual restaurants, like Sweetgreen and Dig Inn, or the growth in

expensive coffee from \$5 lattes at Starbucks to a \$55 cup of Esmerelda Geisha. There is, perhaps, a new trendiness to rare beer and expensive coffee that is luring new entrepreneurs into the space.

Craft breweries have focused on tastes that were underrepresented in the hyper-consolidated beer market. Large breweries ignored burgeoning niches, Watson said, particularly hoppy India Pale Ales, or IPAs, which constitute a large share of the craft-beer market. It's also significant that the craft beer movement took off during the Great Recession, as joblessness created a generation of "necessity entrepreneurs" who, lacking formal offers, opened small-time breweries.

But the triumph of craft beer is not just about a preference for hops and sours. It's also a story about America's regulatory history, and how a certain combination of rules can make innovation bloom or wilt.

* * *

In the early 20th century, alcohol producers owned or subsidized many bars and saloons. These establishments were known as "tied houses," since the bars were "tied" to the brewers and distillers. Tied houses were mortal enemies of the temperance movement. They were vertical monopolies that pushed down prices, got patrons drunk on cheap booze, and upsold them on gambling, prostitution, and other vices.

At the end of Prohibition, lawmakers felt that smashing these vertical monopolies was critical to promoting safe drinking. After the passage of the 21st Amendment, citizens in all states voted to abolish tied houses by separating the producers, like brewers, from the retailers, like bars. This led to a "three-tier system" in which producers (tier one) sold to independent middlemen that were wholesalers or distributors (tier two), who then sold to retailers (tier three).

By dividing the liquor business into three distinct groups, these state-by-state rules made the alcohol industry deliberately inefficient and hard to monopolize. "The great effervescence in America's beer industry is largely the

product of a market structure designed to ensure moral balances, one that relies on independent middlemen to limit the reach and power of the giants,” wrote Barry Lynn, the executive director at the Open Markets Institute, a nonprofit that researches antitrust issues.

The modern alcohol sector is specially designed to promote variety, in other ways. So-called “thing of value” laws make it illegal for beer producers to offer gifts to retailers in an attempt to purchase favorable shelf space. Other rules make it illegal for producers to buy shelf space, which saves room for smaller brewers to thrive at supermarkets and liquor stores. Altogether, these rules are designed to check the political and economic power of the largest alcohol companies while creating ample space for upstarts.

If the U.S. had long ago allowed a couple of corporations to take over both the distribution and retailing of wine before the Napa Valley renaissance, Lynn told *The Atlantic* in an interview, Americans would be exclusively sipping three varieties of Gallo table wine. “The reason that didn’t happen 50 years ago is because you had this system that was designed to promote deconcentration, to incentivize [retailers] to go out and find the new, the different, the alternatives,” he said. “It was effective in achieving that aim.”

It *was* effective. Until it wasn’t. After Ronald Reagan’s election, the Justice Department relaxed its enforcement of antitrust laws. This kicked off a period of consolidation in various sectors across the economy, including the beer industry. Through a cavalcade of mergers in the last 30 years, 48 major brewers joined to form two super-brewer behemoths—Anheuser-Busch InBev and MillerCoors. Thus, an old system set up to avoid concentration became characterized by extreme consolidation.

But even as federal antitrust enforcement in the last 30 years has shifted to favor conglomerates, a groundswell has created the perfect conditions for the craft-beer revolution—or, more accurately, several distinct craft-beer revolutions. In the early 1980s, a smaller beer boomlet, featuring then-new breweries like Sierra Nevada and Samuel Adams, foreshadowed today’s larger craft craze. The timing was no coincidence. In 1978, Congress

approved a resolution that legalized home-brewing, unleashing a generation of beer makers who experimented with flavors far more complex than the simplicity of Schlitz, Budweiser, and other basic brews that reigned for decades.

More recently, many states have made exceptions for small craft breweries to sell beer directly to consumers in taprooms. These self-distribution laws are controversial. Technically, they create an exception to the cherished three-tier system in a way that advantages smaller breweries. But economists and beer fans alike often defend these rules, since they can help small firms establish a fanbase and then phase out when a brewer makes it big.

So, what are the lessons of craft beer's triumph for the rest of the economy? First, just as research shows that gargantuan companies are bad for innovation and job creation, the craft-beer boom shows that the burgeoning of small firms stimulates both product variety and employment. Second, sometimes consumers have their own reasons to turn against monopolies—particularly in taste-driven industries—just as they are moving away from Budweiser and popular light beers toward more flavorful IPAs and stouts produced by smaller breweries.

Third, even in an economy obsessed with efficiency, sometimes it is just as wise to design for inefficiency. Alcohol regulations have long discouraged vertical consolidation, encouraged retailers to leave room for new brands, and more recently made it easier for individuals to introduce their own batch of beer to the market. Those are the aims the country should adopt at the national level, both to make it easier for small firms to grow and to make it harder for large firms to relax.

A phalanx of small businesses doesn't automatically constitute a perfect economy. There are benefits to size. Larger companies can support greater production, and as a result they often pay the highest wages and attract the

best talent. But what the U.S. economy seems to suffer from now isn't a fetish for smallness, but a complacency with enormity. The craft-beer movement is an exception to that rule. It ought to be a model for the country.

Joe Pinsker contributed reporting to this article.

ABOUT THE AUTHOR



DEREK THOMPSON is a senior editor at *The Atlantic*, where he writes about economics, labor markets, and the media. He is the author of *Hit Makers*.

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Survey of Alaskan Distilleries

Number of distilleries currently operating or preparing to operate in the state: 9
(8 distilleries participated in the survey)

Southeast Alaska Region: Amalga Distillery, Port Chilkoot, Skagway Spirits

Fairbanks Region: Fairbanks Distillery, Hoarfrost Distilling, Arctic Harvest

Anchorage Region: Anchorage Distillery, Denali Spirits, Alaska Proof

Years Distilleries Opened in the State:

2010 or before: 0

2013: 2

2016: 1

2017: 5

Not in production yet: 1

7 distilleries have opened, or are in the process of opening, in Alaska since the passage HB309 in 2014, which allowed for distillery tasting rooms.

Types of Spirits Produced in Alaska: Whiskey, bourbon, rye whiskey, gin, vodka, rum, and brandy.

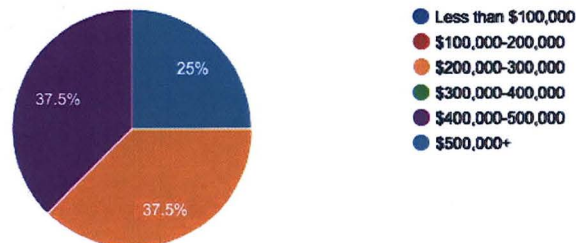
Employees

The nine distilleries employ 26+ full time employees and numerous part time positions. Of these positions, 13 were created in 2017 alone. Each of the nine distilleries is growing and plans on hiring 1-3 additional employees in 2018 meaning an additional 8-25 positions.

Distilleries invested significant capital to get started in the state. This meant hiring local contractors, plumbers, electricians, and purchasing equipment and raw materials:

What was your initial capital investment into your operation?

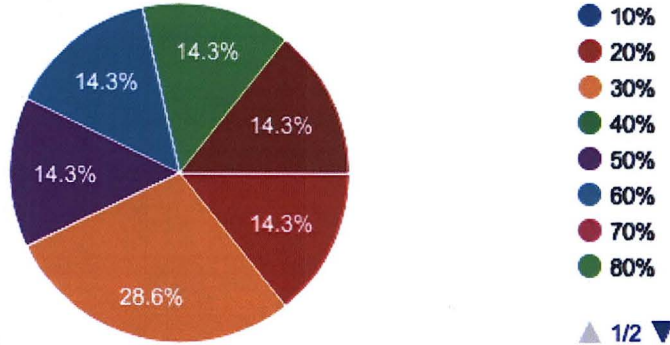
8 responses



Alaskan distilleries support tourism in the state:

In 2017, what percentage of your visitors were tourists?

7 responses



Distilleries purchase from, and collaborate with numerous other Alaskan businesses, including: Local farmers, liquor stores, printing companies, grocery stores, shipping companies, restaurants/bars, furniture makers, artists, electricians, plumbers, contractors, tour companies, glass blowers, printing, catering, and fuel services.

To name a few, specifically:

Alaska Marine Lines, Four Winds Farm, Found Root, Calypso Farm, Dipper Kitchen, Moxy Bitters, Haines Gardeners and Farmers, Haines Brewing Company, Alaska Brewing Company, Double Shovel Cider, Extreme Dreams Gallery, Laura Rogers Graphic Design, Shtumpa printing, Southeast Alaska State Fair, Oleruds Market, Howser's IGA, Outfitter Liquor, Ripinsky Roasters, Heritage Coffee Company, Goldbelt, Barnacle, Coppa, Anchorage Distillery, In Bocca Al Lupo, Salt, McGivneys, The Rookery, Rendevous, Anchorage Distillery, Alaska Brewing Company, Barnaby Brewing Company, Devil's Club Brewing, Marms and Meeks, Alaska Robotics, Mack Provisions, Panhandle Provisions, AK Probiotics, Chef Stef, Sweet Song Chocolates, AK Fly Fishing Goods, Aleph Woodworking, Rainforest Custom, Frenchies Floral, Salt and Soil Marketplace, The Port, High stakes farming, Pickled Alaska, Fairbanks co op market, Alaska feed company, Alaska toddy bear, Goldstream Valley Peony farm, Hungry robot, Chinook hotdogs, Dennis green and sons farm, The Ester republic, Fairbanks daily news miner, Individual community members, Alaska T-shirt company, Trademark, Alaska bowl company, Arctic sun virtual reality, Little plum gardens

STATE TAX RATES ON DISTILLED SPIRITS
(January 1, 2017)

STATE	EXCISE TAX RATES (\$ per gallon)	GENERAL SALES TAX APPLIES	OTHER TAXES
Alabama	see footnote (1)	Yes	
Alaska	\$12.80	n.a.	under 21% - \$2.50/gallon
Arizona	3.00	Yes	
Arkansas	2.50	Yes	under 5% - \$0.50/gallon, under 21% - \$1.00/gallon; \$0.20/case; 3% off- 14% on-premise retail taxes over 50% - \$6.60/gallon
California	3.30	Yes	
Colorado	2.28	Yes	
Connecticut	5.40	Yes	under 7% - \$2.46/gallon
Delaware	3.75	n.a.	25% or less - \$2.50/gallon
Florida	6.50	Yes	under 17.259% - \$2.25/gallon, over 55.780% - \$9.53/gallon
Georgia	3.79	Yes	\$0.83/gallon local tax
Hawaii	5.98	Yes	
Idaho	see footnote (1)	Yes	
Illinois	8.55	Yes	under 20% - \$1.39/gallon; \$2.68/gallon in Chicago and \$2.50/gallon in Cook County under 15% - \$0.47/gallon
Indiana	2.68	Yes	
Iowa	see footnote (1)	Yes	
Kansas	2.50	--	8% off- and 10% on-premise retail tax
Kentucky	1.92	Yes	under 6% - \$0.25/gallon; \$0.05/case and 11% wholesale tax
Louisiana	3.03	Yes	
Maine	see footnote (1)	Yes	
Maryland	1.50	Yes	9% sales tax
Massachusetts	4.05		under 15% - \$1.10/gallon, over 50% alcohol - \$4.05/proof gallon; 0.57% on private club sales
Michigan	see footnote (1)	Yes	
Minnesota	5.03	--	\$0.01/bottle (except miniatures) and 9% sales tax
Mississippi	see footnote (1)	Yes	
Missouri	2.00	Yes	
Montana	see footnote (1)	n.a.	
Nebraska	3.75	Yes	
Nevada	3.60	Yes	5% to 14% - \$0.70/gallon, 15% to 22% - \$1.30/gallon
New Hampshire	see footnote (1)	n.a.	
New Jersey	5.50	Yes	
New Mexico	6.06	Yes	
New York	6.44	Yes	under 24% - \$2.54/gal.; additional \$1.00/gal. in New York City
North Carolina	see footnote (1)	Yes (2)	
North Dakota	2.50	--	7% state sales tax
Ohio	see footnote (1)	Yes	
Oklahoma	5.56	Yes	13.5% on-premise
Oregon	see footnote (1)	n.a.	
Pennsylvania	see footnote (1)	Yes	
Rhode Island	5.40	Yes	
South Carolina	2.72	Yes	\$5.36/case and 9% surtax; additional 5% on-premise tax
South Dakota	3.93	Yes	under 14% - \$0.93/gallon; 2% wholesale tax
Tennessee	4.40	Yes	15% on-premise; under 7% - \$1.10/gallon.
Texas	2.40	Yes	6.7% on-premise and \$0.05/drink on airline sales
Utah	see footnote (1)	Yes	
Vermont	see footnote (1)	no	10% on-premise sales tax
Virginia	see footnote (1)	Yes	
Washington (3)	14.27	--	\$9.24/gal. on-premise; 20.5% retail sales tax, 13.7% sales tax to on-premise
West Virginia	see footnote (1)	Yes	
Wisconsin	3.25	Yes	\$0.03/gallon administrative fee
Wyoming	see footnote (1)	Yes	
Dist. of Columbia	1.50	--	9% off- and on-premise sales tax
U.S. Median	\$3.75		

Source: Compiled by FTA from state sources.

Notes:

n.a. = not applicable. These 5 states do not have a general sales tax.

(1) In 17 states, the government directly controls the sales of distilled spirits. Revenue in these states is generated from various taxes, fees, price mark-ups, and net liquor profits.

(2) General sales tax applies to on-premise sales only.

(3) Washington privatized liquor sales effective June 1, 2012.

SURVEY OF STATE TASTING ROOM

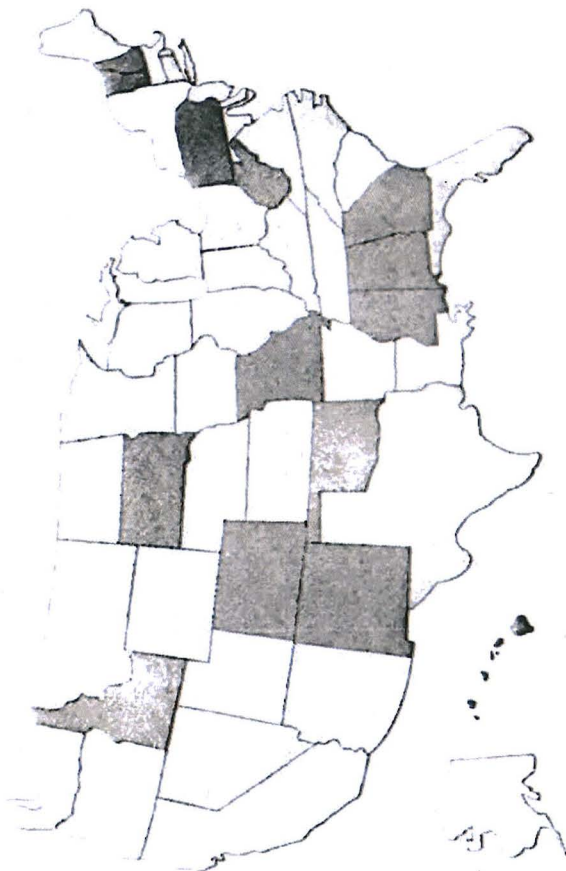
LAWS FOR CRAFT DISTILLERIES

The information in this survey has been compiled from various sources and reflects the most current information available at the time of writing. This is not a work of definitive authority, and should not be used as a legal reference. For more information, please contact the appropriate state agency. The survey is intended to provide a general overview of the laws governing craft distilleries in each state. It is not intended to provide a comprehensive legal analysis of the laws governing craft distilleries in each state.

STATE	STATE GUILD	3 YEAR OR CONTROL STATE	MAXIMUM PRODUCTION	ON SITE TASTING BOOTH	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 gal per month	Yes	No	Yes	No	No	Yes
AK	Distillers Guild of Alaska	3 Year	None	Yes	No	Open	Yes 1/2 gal per person per day	Yes 1/2 gal per person per day	Yes 1/2 gal per person per day	Yes	Yes
AZ	No	3 Year	20k Proof Gallons (PG)/year	Yes	Yes	Yes	Yes 1/2 gal per person per day	Yes	Yes	Yes at most 1/2 gal per person per day	Unknown
AR	No	3 Year	None	Yes	No	Yes	Yes	Yes	No	No	Yes
CA	California artisanal Distillers Guild	3 Year	None for Manufacturers 100k gal/year excluding brandy production for each distiller license. Craft distillers cannot purchase bulk spirit. All production must be and distilled on site	Yes	No Dist is off site. They can only sell to other distillers for on site use	Yes	Yes 1/2 gal per person per day	Yes 1/2 gal per person per day	Yes 1/2 gal per person per day	Yes	Yes
CO	Colorado Distillers Guild	3 Year	None for Manufacturers 40k liters or 3k non liter cases for Distillers Pub license	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
CT	No	3 Year	None	Yes	No	Open	No	No	Yes	Yes	Yes
DC	No	3 Year	None	Yes	No	Open	Yes	Yes	Yes	Yes	Yes
DN	No	3 Year	750k PG/year	Yes	No	Yes	Yes 1/2 gal per person per day	Yes	Yes	Yes	Yes
FL	Florida Craft Distillers Guild	3 Year	75k gal/year	Yes	No	Yes	Yes 1/2 gal per person per day	Yes	Yes	Yes	Yes
GA	No	3 Year	None	Yes	No	Open	No	No	No	No	No
HI	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
IL	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
IN	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
IA	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
KS	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
KY	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
LA	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
MA	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
MD	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
ME	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
MI	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
MN	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
MO	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
MS	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
MT	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
NC	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
ND	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
NH	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
NJ	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
NM	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
NV	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
OH	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
OK	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
OR	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
PA	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
RI	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
SC	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
SD	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
TN	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
TX	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
UT	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
VA	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
VT	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
WA	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
WI	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
WV	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
WY	No	3 Year	None	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes

STATE	STATE GUILD	3 YEAR GD CONTROL STATE	LIMIT ON MAJORITY PRODUCTION	ON SITE TASTING ROOM	SATELLITE TASTING ROOM	PAID TASTING	DIRECT SALES BY BOTTLE	DIRECT SALES BY GLASS	CO-OP RETAIL	SELF-DISTRIBUTION	ALLOWED TO SELL NON-ALCOHOLIC BEVERAGE
IA	No	Control	None for manufacturers, \$100/gal/year for a minor distillery	Yes	No	None	3 bottles per person	Yes	Yes	No	Yes
MS	No	3 Year	\$100/gal/year	Yes	No	None	None	Yes	Yes	No	Unknown
NY	Amateur Distillers' Association	3 Year	None for Class A license \$100/gal/year for Class B license	Yes	No	None	3 bottles per person per day	Yes	Yes	Yes	Yes
VA	No	3 Year	None	Yes	No	Yes	No more than 3 bottles per person per day	Yes	Yes	No	Yes
MS	Main Distillers' Guild	Control	\$100/gal/year for Craft Distillers license	Yes	Yes	Yes	None	Yes	Yes	No	Yes
MO	Trinidad Distillers Guild	3 Year	None	Yes	No	None	3 bottles per person per day	Yes	Yes	No	Yes
MA	No	3 Year	None, but license gets more expensive with higher production	Yes	No	Yes	None	Yes	Yes	No	Yes
MI	Michigan Craft Distillers Association	Control	None (with more distilleries/year)	Yes	Yes	Yes	None	Yes	Yes	No	Yes
MD	Monticello Distillers' Guild	3 Year	None	Yes	No	Yes	None	Yes	Yes	No	Yes
MS	No	Control	None	Yes	No	None	None	Yes	Yes	No	Yes
MO	No	3 Year	None	Yes	No	None	None	Yes	Yes	No	Yes
MT	Montana Distillers' Guild	Control	None	Yes	No	None	None	Yes	Yes	No	Yes
MS	No	3 Year	None \$100/year for Craft Distillers license	Yes	No	None	None	Yes	Yes	No	Yes
NY	Amateur Craft Distillers Association	3 Year	None, but more expensive up to 100 gallons in NY with more or less and production rules retroactively	Yes	No	None	None	Yes	Yes	No	Yes
RI	No	Control	None	Yes	No	None	None	Yes	Yes	No	Yes
NJ	No	3 Year	None \$100/year	Yes	No	None	None	Yes	Yes	No	Yes
MS	Main Distillers' Guild	3 Year	None \$100/year	Yes	No	None	None	Yes	Yes	No	Yes
NY	New York State Distillers' Guild	3 Year	None \$100/year for Craft Distillers license which requires use of 100% of grain	Yes	No	None	None	Yes	Yes	No	Yes
MS	North Carolina Distillers Association	Control	None	Yes	No	None	None	Yes	Yes	No	Yes

STATE FAVORABILITY INDEX FOR CRAFT DISTILLERS



Least favorable
 Less favorable
 More favorable
 Most favorable

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.