



THE THREE TIER SYSTEM OF ALCOHOL DISTRIBUTION: MAINTAINING COMPETITIVE BALANCE & PROTECTING CONSUMER SAFETY

For over 85 years, the beverage alcohol industry has successfully served consumers and communities by **distributing wine, spirits, and beer through a three-tier system**: alcohol producers can only sell their products to wholesalers, wholesalers can only sell to retailers, and only retailers can sell to consumers.



Designed to **prevent the abuses that led to Prohibition**, the three-tier system was **adopted by every state** after the repeal of Prohibition and adoption of the 21st Amendment.

BENEFITS OF THE THREE-TIER SYSTEM



Efficient Tax Collection. The primary link between alcohol sales and the collection of state taxes, **wholesalers collect and remit excise tax to the state** while retailers collect and remit sales tax.



Prevention of counterfeit and adulterated products. The three-tier system maintains a **clear chain of custody, traceable by enforcement agents** starting the moment a batch is produced to the moment it is sold to a consumer.



Variety and consumer access. The three-tier system has led to the widest variety of products in the world at reasonable and dependable prices.



Regulatory oversight and accountability. The system creates a framework that mandates responsibility and accountability to **prevent underage access**.



Craft to market. Craft producers can get their products to a **wide range of outlets nationwide and small retailers** have access to a large variety of product at low prices.