CREDIT LAWS

State credit laws dictate the terms of payment of a sale of alcohol from a wholesaler to a retailer including the length of time in which payment must be made to the wholesaler, the amount of credit a wholesaler can offer to a retailer, and consequences of delinquency.

Federal law, and nearly every state, regulates the extension of credit once alcoholic beverages are delivered from a wholesaler to a retailer. **Laws limiting the terms of credit that wholesalers can offer to retailers play an important role in maintaining an orderly marketplace and separation of the tiers.** Credit laws also form the foundation of a level playing field which ensures that industry members of all sizes can enter and operate in the marketplace.

In the alcohol marketplace, credit laws vary state by state. Some states have prohibitions on credit and require cash on delivery (COD) by the retailer. Other states offer up to 30-day credit periods (the maximum amount of time allowed under federal law.)

BENEFITS OF CREDIT LAWS

LEVEL PLAYING FIELD

Credit laws prevent wholesalers from playing favorites by regulating the amount of credit a wholesaler can offer to a retailer, ensuring that all retailers are treated fairly.

CHECKS & BALANCES

Credit laws in the alcohol marketplace prevent wholesalers or retailers from requiring the other to comply with unfavorable credit terms. This is particularly important in relationships between a large member of one tier and a small member of the other.

MARKETPLACE TRANSPARENCY

Credit laws require wholesalers to notify the state of nonpayment by a retailer which allows the state to notify other wholesalers of the delinquency and can prevent other wholesalers from unknowingly extending credit to a delinquent retailer.

Updated July 2022