



March 24, 2026

Re. Mary Ann Shallcross Smith, Char  
House Committee on Small Business  
Rhode Island House of Representatives  
State House, Providence, Rhode Island 02903

RE: Opposition to H7493 — Protecting Rhode Island’s Three-Tier System of Beverage Alcohol Distribution

Dear Chair Smith:

We write in strong opposition to House Bill H7493, which would permit beer manufacturers to self-distribute their products in Rhode Island without obtaining a wholesaler’s license. While framed as relief for small producers, this legislation would strike at the heart of a carefully designed, constitutionally grounded regulatory structure that has protected consumers, ensured tax compliance, and sustained thousands of good-paying jobs in this state for nearly a century. The three-tier system is not an accident of history — it is deliberate policy architecture, validated repeatedly by federal courts, the U.S. Supreme Court, state regulators, and independent public health researchers.

#### The Three-Tier System: Deliberately Designed, Not Arbitrarily Imposed

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Rhode Island’s three-tier system — separating manufacturers, wholesalers, and retailers into distinct, licensed tiers — was constructed deliberately in the wake of Prohibition to prevent dangerous concentration of market power, facilitate tax collection, and protect consumers from unregulated alcohol. The National Alcohol Beverage Control Association (NABCA), the national organization of state alcohol regulatory authorities, describes the three-tier system as “the bedrock to the U.S. alcohol regulatory structure,” with the wholesale tier serving as the critical control point for product tracking and excise tax collection.<sup>1</sup> Critically, NABCA observes that this middle tier performs a government function — tax collection and product tracking — that the state would otherwise have to perform at additional cost to taxpayers.<sup>2</sup> When manufacturers self-distribute without a wholesale license, that control point disappears.

The structural logic is clear: concentrating excise tax obligations at a limited number of licensed distributors is far more efficient and auditable than attempting to track compliance across dozens of manufacturers selling directly into the retail market. A 2023 survey by the Center for Alcohol Policy found that 89% of Americans believe states should regulate alcohol as a unique good, 80% support states determining their own alcohol distribution laws, and 73% specifically encourage lawmakers to craft regulations that protect public health and safety.<sup>3</sup> Rhode Island would be acting against the expressed preference of the public by dismantling a key structural element of that regulatory framework.

The consequences of weakening tier separation are not theoretical. NABCA has documented that deregulation of the distribution tier can lead to market domination by large producers in geographic areas, eliminate

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<sup>1</sup>National Alcohol Beverage Control Association (NABCA), "The Three-Tier System," <https://www.nabca.org/three-tier-system> (describing the three-tier system as "the bedrock to the U.S. alcohol regulatory structure" and the wholesale tier as the control point for "tracking of tainted alcohol products and excise alcohol tax collection").

<sup>2</sup>NABCA, "The Three-Tier System: A Modern View" (March 2015), <https://www.nabca.org/three-tier-system-modern-view-0> ("This system also uses checks and balances from one tier to another to enforce many provisions, and the middle tier is used to collect taxes and track products — a function the government would otherwise have to perform at extra cost to the taxpayers.").

<sup>3</sup>Center for Alcohol Policy, Public Opinion Survey (2023), as cited in NABCA, "The Three-Tier System: A Modern View," <https://www.nabca.org/three-tier-system-modern-view-0> (89% of respondents believe states should regulate alcohol as a unique good; 80% support states determining their own laws and regulations regarding alcohol; 73% encourage lawmakers to craft alcohol regulations that protect public health and safety).

consumer choice, and create openings for tainted or counterfeit alcohol to enter the distribution stream — the very conditions the three-tier system was designed to prevent.<sup>4</sup>

### Wholesale Capability Is Already Available in Rhode Island to Any Malt Beverage Manufacturer Who Wants It

Proponents of H7493 argue that brewers are unfairly excluded from the distribution market. This argument misunderstands the structure of a tiered licensing regime. Under Rhode Island law, any brewer that wishes to wholesale its own products may do so by forming an domestic entity, applying for a wholesale license and performing wholesaler functions lawfully. The path is open. What the three-tier system generally prohibits, for good reason, is the exercise of wholesale functions without a wholesale license — just as it prohibits the exercise of manufacturing functions without a manufacturing license.

A licensed wholesaler cannot produce beer without also obtaining a manufacturer's license. Symmetrically, a licensed manufacturer cannot distribute at wholesale without a wholesaler's license. As NABCA has documented, no one entity may be involved in more than one tier under the standard state model, and each tier is regulated and licensed separately.<sup>5</sup> This reciprocal structure is not discrimination — it is the essence of a tiered licensing regime. H7493 aims to create a new right for manufacturer licensees (where that right is already available by obtaining a wholesaler license and following its rules), abolish a legitimate licensing requirement, collapse two distinct regulatory tiers and provide rights to out-of-state manufacturers that do not exist for in-state wholesalers and manufactures. These proposed changes would undermine the structural integrity of Rhode Island's entire beverage alcohol distribution framework.

### Real Consequences for Jobs, Revenue, and Public Safety

H7493 would cause demonstrable harm to Rhode Island's beverage distribution industry, which employs hundreds of residents in warehouse, driving, logistics, and sales roles. These are not incidental positions — they are career-path jobs built on decades of brand investment and infrastructure development by independent distributors who have made long-term commitments to this state and its communities.

Beyond jobs, self-distribution without wholesale licensure degrades the state's ability to enforce excise tax compliance. The Massachusetts Alcoholic Beverages Control Commission (ABCC) has warned regulators that unlicensed distribution channels are precisely where alcohol enters commerce “from unlicensed entities and individuals throughout the country and the world” — and called for “the basic understanding that this can be a dangerous product” to be sold and delivered only by properly licensed and trained operators.<sup>6</sup>

Every distribution channel that operates outside the licensed wholesale tier is a channel where Rhode Island excise taxes may go uncollected and where the chain of custody for product safety breaks down.<sup>7</sup> H7493 would create exactly that kind of channel — not for a handful of producers, but as a statutory right available to every

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<sup>4</sup>NABCA, "The Three-Tier System: A Modern View," supra note 2 ("A deregulated alcohol industry would remove marketing restrictions and can lead to the dominance of certain companies in a geographic area, eliminating consumer choice. There is also potential for tainted alcohol to get into the distribution stream as the checks and balances of the three-tier system would be removed.").

<sup>5</sup>NABCA, "The Three-Tier System," supra note 1 ("No one entity can be involved in more than one tier under most state models and each tier is regulated and licensed separately.");

<sup>6</sup>Massachusetts Alcoholic Beverages Control Commission (ABCC), Chief Investigator Ted Mahony, remarks to the WSWA State Advisory Council (January 2023), as reported in WSWA, "Yes, The Three-Tier System Still Has Legs" (July 5, 2023), <https://www.wswa.org/news/yes-three-tier-system-still-has-legs> ("We have had a great system in place in this country for over ninety years, that has provided a safe and secure system of the sale and delivery of alcoholic beverages. We have to get back to the basic understanding that this can be a dangerous product and the principle that alcohol should be sold and delivered by responsible entities and individuals that are properly licensed and trained.").

<sup>7</sup>Center for Alcohol Policy, "The Three-Tier System," as cited in NABCA, "The Three-Tier System: A Modern View," supra note 2; see also Ansira, "The Three-Tier System: How Alcohol Distribution Works in the U.S." (Dec. 2025), <https://ansira.com/blog/the-three-tier-system/> ("The system makes tax collection easier by concentrating oversight at the distributor level, where excise taxes are collected as products move through the supply chain.").



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manufacturer operating in the state and out of the state. Out-of-state producer self-distributors, in particular, would exist fully outside of the reach of Rhode Island trade practice regulations, further degrading the integrity of the playing field that all beverage alcohol industry participants operate on today.

We urge the Committee to reject H7493. Rhode Island's three-tier system is a proven, validated, and publicly supported framework that balances the interests of producers, distributors, retailers, consumers, and the state itself. If relief is warranted for small manufacturers, the appropriate path is streamlining the wholesale licensing process for smaller companies — not eliminating the licensing requirement and unraveling a system that state regulators, federal courts, and the American public have consistently affirmed as essential.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam Oliveri", is written over a thin horizontal line.

Adam Oliveri  
Founder & CEO