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*Testimony of Rep. Valli Geiger presenting*

## **LD 2160, An Act to Modify Provisions of Law Affecting Small Distilleries**

*Before the Joint Standing Committee on Veterans and Legal Affairs*

Good morning, Senator Hickman and Representative Supica and distinguished members of the Joint Standing Committee on Veterans and Legal Affairs, I am Valli Geiger, and I represent House District 42, which includes the city of Rockland, most of the town of Owls Head and the Islands of North Haven, Criehaven, Matinicus and the Muscle Ridge. I am here today to present **LD 2160, An Act to Modify Provisions of Law Affecting Small Distilleries**.

I was contacted this summer by Nate Luce, the owner of a small artisanal distillery and tasting room in Rockland. We had several conversations about the struggle small distilleries are having, trying to survive in Maine's regulatory environment. He noted that several have recently closed their tasting rooms, one had a fire and is not planning to reopen and some are up for sale. He asked my help in changing some aspects of the current law and regulatory framework to mimic some of the changes made for small Maine Breweries and Wineries.

We are requesting the following changes to current law:

1. Distilleries currently must renew two licenses yearly, one from the Department of Agriculture and one from the Liquor Board. LD 2106 would change the multi-license renewal from every year to every three years. This is currently practiced in New York State, and many other states have opted for two-year license renewals.
2. Agriculture and Liquor board inspections will go from annually to every three years upon license renewal.
3. Allow small distilleries to make direct sales to retailers (restaurants, markets, Maine retailers) without being required to use a wholesale licensee. Currently, a small distillery cannot make a direct sale and instead needs to navigate wholesale distributors to get their product out beyond their distillery. This would allow us to mirror Kentucky, where small distilleries are allowed to self-distribute up to 5,000 gallons of liquor per year.
4. LD 2106 would also decrease state taxes on distilleries. Small distilleries currently pay the state sales tax, a state spirits tax (which differs in amount depending on proof, size of bottle, etc.), a 4.95% spirits administrative fee and a 2.25% marketing services fee for every bottle a distillery sells, even if they sell it from their own distillery on the premises. Small wineries, in contrast, only pay a sales tax and an excise tax.<sup>1</sup> This bill proposes to

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<sup>1</sup> 28-A MRS§1652 1-A, 2

eliminate the spirits administrative fee and the marketing services fee on all bottles sold from the distillery or from direct sales from distillery to retailers.<sup>2</sup>

5. The required reports that are sent to the Pine State Spirits Portal on a monthly basis would change from monthly to quarterly.
6. This bill will allow small distilleries to do direct shipping to out of state customers. Distilleries receive daily requests from tourists to direct ship to their homes as they are traveling by plane or train and cannot purchase and transport themselves.
7. Currently, small distilleries cannot serve any alcohol but their own products unless they also take out a lounge license which must be renewed yearly at a cost of \$2,200. New York State allows licensed small distilleries to be considered farm distilleries, which makes them allowed to serve wine, beer and other spirits made by other small breweries, wineries and distilleries in the state. This bill would allow a licensed small distillery to also be able to sell wine, beer and spirits from other Maine licensed small breweries, wineries and distilleries. Distillery tasting rooms lose many customers because patrons may have friends who do not drink cocktails and must find other spaces that will accommodate the non-cocktail drinkers in their party.

While this bill will decrease Maine state tax revenue for this class of business, the slow death of this small industry will do the same. This bill proposes to grant small distilleries the same consideration that has been given to small Maine wineries and breweries in order to allow this small burgeoning industry to take hold in Maine.

This bill does the following:

1. It prohibits the Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations or the holder of a state contract for wholesale spirits activities and marketing from charging a small distillery a spirits administration services fee or a spirits trade marketing services fee on any sale of spirits.
2. It prohibits the bureau or any other entity of the State from requiring that a small distillery be inspected more frequently than every 3 years.
3. It prohibits the bureau or wholesale spirits provider from requiring a small distillery to report more frequently than on a quarterly basis.
4. It allows a person licensed to sell spirits for on-premises consumption to purchase spirits from a small distillery licensed in the State and allows the holder of a small distillery license to sell or deliver its products to licensed retailers or wholesalers.
5. It allows a small distillery to sell beer, wine and spirits manufactured by small breweries, small wineries or small distilleries licensed in the State without a license for sales for on-premises consumption.
6. It extends the licensing period for a small distillery from one year to 3 years.
7. It allows a small distillery to sell, furnish or deliver spirits manufactured by the small distillery to a person outside of the State by mail order.

Thank you. I am happy to take questions but would also refer technical questions to the department or Mr. Luce.

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<sup>2</sup> BABLO website, 28-A MRS S1651 S1703