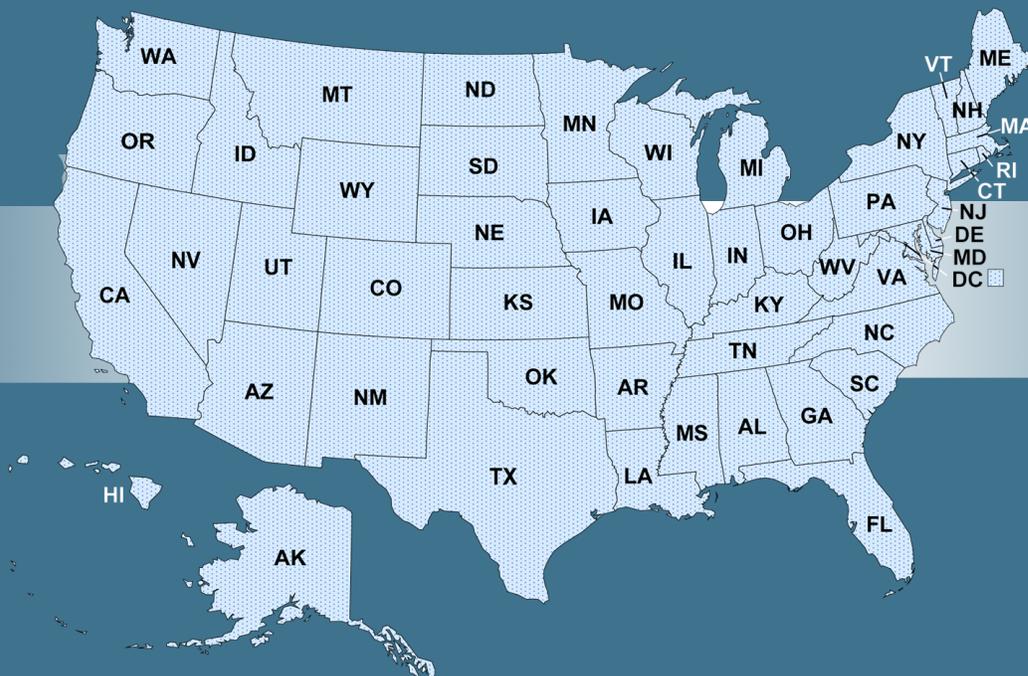


STATE PERFORMANCE & BEST PRACTICES

for the Prevention and Reduction of Underage Drinking

2018



POLICY SUMMARY:

Direct Sales/Shipments from Producers to Consumers



SAMHSA
Substance Abuse and Mental Health
Services Administration

The *State Performance and Best Practices* is required by the Sober Truth on Preventing (STOP) Underage Drinking Act (Pub. L. 109-422), which was enacted by Congress in 2006 and reauthorized in December 2016 as part of the 21st Century Cures Act (Pub. L. 114-255). The STOP Act directs the Secretary of the Department of Health and Human Services (HHS), working with the Interagency Coordinating Committee on the Prevention of Underage Drinking (ICCPUD), to develop a set of performance measures for evaluating the states' use of best practices in preventing underage drinking, and to consider a set of enumerated categories in doing so. The STOP Act also requires an annual report on each state's performance in enacting, enforcing, and creating laws, regulations, and programs to prevent or reduce underage drinking.

This *State Performance and Best Practices*, and the 51 individual State Reports, were prepared by the ICCPUD, which is chaired by the Assistant Secretary for Mental Health and Substance Use, U.S. Department of Health and Human Services.

Time period covered by the 2018 *State Performance and Best Practices*: The 2018 version primarily includes data from calendar year 2017. The data on state legal policies reflects the state of the law as of January 1, 2017. The state survey data was collected in 2017, and is drawn from the most recent 12-month period in which the states maintained the data.

Recommended Citation

U.S. Department of Health and Human Services (HHS), Substance Abuse and Mental Health Services Administration (SAMHSA), Interagency Coordinating Committee on the Prevention of Underage Drinking (ICCPUD). (2018). *State Performance and Best Practices for the Prevention and Reduction of Underage Drinking*.

Direct Sales/Shipments from Producers to Consumers

Policy Description

State proscriptions against direct sales and shipments of alcohol from producers to consumers date back to the repeal of Prohibition. The initial reason for the proscriptions was to ensure that the pre-Prohibition-era “tied house system” (under which producers owned or controlled retail outlets directly or both) did not continue after repeal. Opponents of the tied house system argued that producers who controlled retail outlets permitted unsafe retail practices and failed to respond to community concerns. The alternative that emerged was a three-tier production and distribution system with separate production, wholesaling, and retail elements. Thus, producers must distribute products through wholesalers rather than sell directly to retailers or consumers, wholesalers must purchase from producers, and consumers must purchase from retailers.

Modern marketing practices, particularly Internet sales that link producers directly to consumers, have led many states to create laws with exceptions to general mandates that alcohol producers distribute their products only through wholesalers. Some states permit producers to ship alcohol to consumers using a delivery service (usually a common carrier). In some cases, these exceptions are responses to legal challenges by producers or retailers arguing that state law unfairly discriminates between in-state and out-of-state producers. The U.S. Supreme Court has held that state laws permitting in-state producers to ship directly to consumers while barring out-of-state producers from doing so violate the U.S. Constitution’s Interstate Commerce Clause, and that this discrimination is neither authorized nor permitted by the 21st Amendment.⁷

One central concern emerging from this controversy is the possibility that direct sales/shipments (either through Internet sales or sales made by telephone or other remote communication) will increase alcohol availability to underage persons.

Young people may attempt to purchase alcohol through direct sales instead of face-to-face sales at retail outlets because they perceive that detection of their underage status is less likely. These concerns were validated by a study that found that Internet alcohol vendors use weak, if any, age verification, thereby allowing minors to successfully purchase alcohol online (Williams & Ribisl, 2012). In response to these concerns, several jurisdictions that permit direct sales/shipments have included provisions to deter youth access. These may include requirements that:

1. Consumers have face-to-face transactions at producers’ places of business (and show valid age identification) before any future shipments to consumers can be made.⁸
2. Producers/shippers and deliverers verify recipient age, usually by checking recipients’ identification.
3. Producers/shippers and deliverers obtain permits or licenses or be approved by the state.
4. Producers/shippers and deliverers maintain records that must either be reported to state officials or be open for inspection to verify recipients of shipments.
5. Direct shipment package labels include statements that the package contains alcohol and that the recipient must be at least 21 years old.

⁷ See, e.g., *Granholm v. Heald*, 544 U.S. 460, 125 S.Ct. 1885 (2005).

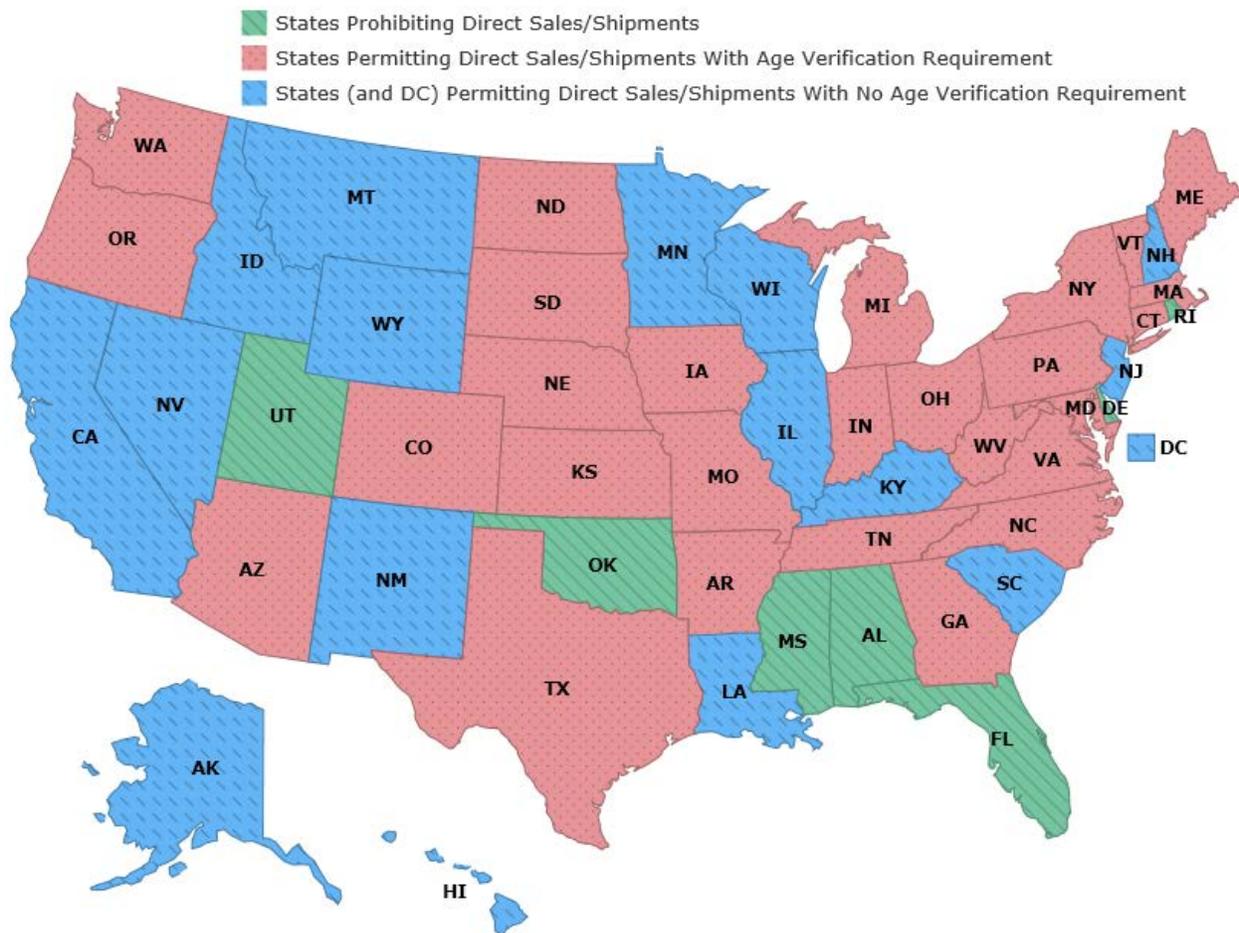
⁸ Laws that require face-to-face transactions for all sales prior to delivery are treated as prohibitions on direct sales/shipments.

State laws also vary on the types of alcoholic beverages (beer, wine, distilled spirits) that producers may sell directly and ship to consumers. These and other restrictions may apply to all direct shipments. Only those requirements related to preventing underage sales are discussed here.⁹

Status of Direct Sales/Shipment Policies

As of January 1, 2017, 44 states permit direct sales/shipments from producers to consumers, and 7 prohibit such transactions (see Exhibit I.35). Of the 44 states permitting direct sales or shipments, 27 require some form of age verification, whether by shippers, deliverers, or both. Sixteen states and the District of Columbia do not require any age verification. One state (Arkansas) requires face-to-face transactions at producers’ places of business and verification of valid age identification before shipments to the consumer can be made.

Exhibit I.35: Direct Sales/Shipment Policies and Age Verification Requirements as of January 1, 2017



⁹ These include caps on the amount that can be shipped; laws that permit only small producers to sell directly to consumers; reporting and taxation provisions unrelated to identifying potential underage recipients; and brand registration requirements. In some cases, exceptions are so limited that a state is coded as not permitting direct sales (e.g., shipments are allowed only by boutique historical distilled spirits producers).

Trends in Direct Sales/Shipments Policies

Between January 1, 2009, and January 1, 2017, 13 states amended their existing direct shipping policies. Seven of these amendments added restrictions on direct shipment, such as requiring labels, collecting purchaser names, or adding age verification requirements. During the same time period, eight other states (Arkansas, Kansas, Maine, Maryland, New Jersey, Pennsylvania, South Dakota, and Tennessee) adopted permit systems allowing direct shipment of wine from producers to purchasers.

Data Sources and Citations

Legal research and data collection for this topic are planned and managed by SAMHSA and conducted under contract by The CDM Group, Inc. For more information, including definitions of the variables for this policy, contact underagedrinking@samhsa.gov.

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