



INDUSTRY 3-TIER SYSTEM **MANUFACTURER**

Illinois Craft Brewers Guild (ICBG)

**Illinois Grape Growers Vitners
Association (IGVA)**

Illinois Craft Distillers Guild (ICDG)

DISTRIBUTOR

**Associated Beer Distributors Illinois
(ABDI)**

**Wine & Spirits Distributors Illinois
(WSDI)**

RETAILER

**Illinois Retailers Merchant Association
(IRMA)**

Illinois Restaurant Association (IRA)

**Illinois Licensed Beverage Association
(ILBA)**

**Federated Alliance of Illinois Independent
Retailers (FAIR)**

Chicago Hospitality Group



WHY DO WE HAVE A THREE-TIER SYSTEM?

When prohibition was repealed with the ratification of the 21st Amendment (1933), states needed to find a way to balance the desire of people to consume alcohol against the health and social issues that previously existed due to the under-regulated consumption, distribution, and production of alcohol.

As such, the three-tier system serves as a “check and balance” between control and access.

It was that balance which gave birth to the three-tier system. To prevent undue influence over the alcohol market, individual cross-ownership of all three tiers was expressly prohibited (Tied-House prohibitions). Tied-House prohibitions prevent monopolistic interests from manipulating prices and discouraging fair competition.



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Understanding the Three –Tier System in Illinois



**ILLINOIS LIQUOR CONTROL
COMMISSION**

How Does It Work?

Tier I - Manufacturers

This tier produces the alcoholic products we consume:

Breweries, distilleries, and wineries.

Bottling is also considered part of the manufacturing process, and therefore companies that specialize in bottling alcohol for another are considered to be manufacturing.

Excise taxes are assessed based on the volume of alcoholic beverages produced and sold by a manufacturer.

Tier 2 – Distributors

Distributors have many tasks including the responsible delivery of alcoholic beverages to licensed retailers. Geographic regions are created to ensure efficient delivery of products and prompt response in the event of a recall.

In addition, the distributor is responsible for collecting and remitting the State and any Local Excise Taxes. These taxes are collected by the Illinois Department of Revenue and the local government agency.

Tier 3 – Retailers

In the stream of commerce, retailers are the access point between consumer and the product. Whether it is a hotel, bar, restaurant, movie theatre, grocery store, or convenience store, the point of sale is the “mouth” of this stream, where product makes its way into the general public.

If the three-tier system works as it should, then the alcoholic product should be free of defects, safe for consumption, and sold only to those lawfully permitted to purchase the product.

Retailers are responsible for collecting sales tax on alcoholic beverages and remitting the sales tax to the Illinois Department of Revenue.

Consumers

By statute, the Illinois Liquor Control Commission is tasked with protecting the consumer from the negative effects of alcohol consumption, over consumption, and from contaminated product.

Alcohol is classified as a Psychotropic Central Nervous System (CNS) depressant and therefore it is extremely important that alcohol consumption is tempered.

