

Department of Legislative Services

Maryland General Assembly

2005 Session

FISCAL AND POLICY NOTE

House Bill 1451

(Delegate V. Clagett, *et al.*) (By Request – Maryland Winery and Grape Growers’ Advisory Board)

Economic Matters

Maryland Wine and Grape Growers Promotion Act

This bill abolishes the Maryland Winery and Grape Growers’ Advisory Board and replaces it with the Governor’s Advisory Commission on Maryland Wine and Grape Growing. Additionally, the bill authorizes any county license issuing authority to issue a Class A light wine license, and removes certain restrictions against holding wine tasting events in certain jurisdictions.

Fiscal Summary

State Effect: This bill would not materially impact State finances.

Local Effect: This bill would not materially impact local government finances.

Small Business Effect: Potential meaningful for Maryland wineries and grape growers.

Analysis

Bill Summary: This bill creates the Governor’s Advisory Commission on Maryland Wine and Grape Growing. The term of office for each member on the commission is three years. Each term begins on October 1. The bill has provisions which stagger the terms of the members representing wineries and grape growers. Members may not serve more than two consecutive terms; and from among the members, the Governor must appoint the chair. Members of the commission do not receive compensation for their services, but they are entitled to reimbursement for travel expenses as provided in the

State budget. Staffing would be provided by the Maryland Department of Agriculture (MDA).

Among the commission's duties are: (1) advising and making recommendations to the Maryland Wine and Grape promotion council about the allocation of funds from the Maryland Wine and Grape Promotional Fund; (2) providing a forum to address issues facing producers in the wine and grape industries; (3) identifying strategies to facilitate growth of Maryland viticulture; (4) studying the policies of the wine and grape industries of other states and identifying any policies that should be adopted by the Maryland wine and grape industry; and (5) issuing an annual report to the Governor on its findings and recommendations.

Furthermore, the bill requires that the chair of the Maryland Winery and Grape Growers' Advisory Board consult with the chair of the Governor's Advisory Commission on Maryland Wine and Grape Growing on what materials of the advisory board should be retained and where they should be restored.

The following provisions are applicable to wine tasting events for which wine is provided by wineries which are defined by the Internal Revenue Code as a small domestic producer:

- in Baltimore City and Baltimore County, an unlimited number of a one-day Class BWT beer and wine (on-premises) tasting licenses may be issued;
- in Caroline County, an unlimited number of one-day Class BWTS beer and wine (on-premises) tasting and sampling licenses may be issued;
- in Frederick County, an unlimited number of wine tasting (WT) licenses may be issued;
- in Harford County, the liquor control board may not limit the number of wine tasting events;
- in Howard and Prince George's counties, the board of license commissioners in either county may not limit the number of wine tasting events;
- in Washington County, an unlimited number of Class WTL special wine tasting licenses may be issued; and
- in Wicomico County, the total number of days during which wine sampling or tasting events are held by the holder of a Class WT wine tasting license is unlimited.

Current Law: The nine-member Maryland Winery and Grape Growers' Advisory Board is required to (1) advise and recommend to the Secretary of Agriculture the

allocation of funds to projects regarding viticultural and enological practices and promotion, marketing, and educational programs deemed necessary or advisable; and (2) evaluate the funding options available to the wine industry.

Thirteen counties – Baltimore, Calvert, Carroll, Dorchester, Frederick, Garrett, Harford, Montgomery, Queen Anne’s, St. Mary’s, Somerset, Talbot, and Washington – are authorized to issue a Class A light wine license to holders of a Class 4 manufacturer’s license (limited winery). Seven counties – Baltimore, Frederick, Garrett, Harford, Somerset, Talbot, and Washington – are authorized to issue a Class A light wine license to a holder of a Class 3 manufacturer’s license (winery). A Class A light wine license allows wineries to sell, at retail, any amount of wines produced at the winery.

In general, the alcoholic beverages license issuing authority in jurisdictions either limits the number of wine tasting licenses that may be issued or limits the number of days on which a wine tasting event may occur. These restrictions vary by jurisdiction.

Background: As defined by Title 26 § 5041 (C)(1) of the Internal Revenue Code, a small domestic producer produces not more than 250,000 gallons of wine during a calendar year.

As of February 1, 2005 there were 16 licensed limited wineries in the State.

State Fiscal Effect: Since MDA already provides support to the Maryland Winery and Grape Growers’ Advisory Board, which is being abolished, any costs associated with staffing the new Governor’s Advisory Commission on Maryland Wine and Grape Growing should be absorbable within existing resources.

The Comptroller’s Office advises that the provision of the bill exempting a winery which brings wine manufactured on its licensed premises onto a retail premises licensed for wine tasting under specified circumstances would allow any winery (in-State or out-of-state) to take advantage of the bill’s change in wine tasting at retail licensees. Since the bill does not require the out-of-state winery to be licensed with the Maryland Comptroller’s Alcohol and Tobacco Tax Bureau, the State would not collect the fee for a Non-Resident Dealer’s Permit for \$100.00 and the tax at a rate of \$0.40 per gallon.

Local Fiscal Effect: The fiscal effect of this bill would vary by jurisdiction, as it depends on the number of licenses for wine tasting events each jurisdiction issues. Furthermore, for those jurisdictions where the license issuing authority would be able to issue an unlimited number of licenses for wine tasting events, the jurisdiction could experience a minimal increase in license fee revenues. The jurisdictions generally

already have regulations in place governing wine tasting events; therefore, monitoring compliance with this bill would be absorbable within existing resources.

Small Business Effect: Potential meaningful for Maryland wineries that would be able to promote their products at more wine tasting events. As a result of promoting their products, the Maryland wine industry might experience a growth in sales.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Wicomico County, Prince George's County, Harford County, Caroline County, Howard County, Comptroller's Office, Maryland Department of Agriculture, Department of Legislative Services

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