

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 230

(Delegate Schulz, *et al.*)

Economic Matters

Education, Health, and Environmental Affairs

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Alcoholic Beverages - Farm Breweries and Micro-Breweries

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This bill authorizes a Class 7 micro-brewery license holder to contract with a Class 8 farm brewery license holder to brew and bottle malt beverages on their behalf. The bill also authorizes a Class 8 farm brewery license holder to contract with a Class 7 micro-brewery license holder to brew and bottle beer from ingredients produced on the farm. In addition, the bill authorizes the Comptroller to issue a Class 8 farm brewery license to a person in Howard County that holds no more than two Class B beer, wine, and liquor licenses.

The bill takes effect July 1, 2013.

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Fiscal Summary

**State Effect:** Minimal. The bill is not expected to significantly affect State tax revenues relating to the sale or consumption of alcoholic beverages, as the bill does not alter the total amount of beer that Class 7 micro-breweries and Class 8 farm breweries may brew. Licensing revenue may increase by \$200 for each additional Class 8 farm brewery license issued.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. Class 7 micro-breweries and Class 8 farm breweries may realize additional avenues in which to brew beer. However, the bill does not alter the total amount of beer that either may brew.

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Analysis

**Current Law:** Class 7 micro-brewery (on- and off-sale) licenses are issued by the Comptroller's Office for use in 20 jurisdictions – Allegany, Anne Arundel, Baltimore, Calvert, Carroll, Charles, Dorchester, Frederick, Garrett, Harford, Howard, Kent, Montgomery, Prince George's, Talbot, Washington, Wicomico, and Worcester counties; Baltimore City; and the City of Annapolis. In general, the license is issued only to a holder of a Class B beer, wine, and liquor (on-sale) license that is issued for use on the premises of a restaurant with exceptions for the Town of Berlin in Worcester County and Kent, Montgomery, Prince George's, and Washington counties.

License holders may sell up to 4,000 barrels of beer to customers for consumption on the premises and may collectively brew, bottle, or contract with the holder of a Class 5 brewery license, a Class 7 micro-brewery license, or a Class 2 rectifying license for up to 22,500 barrels of malt beverages each calendar year.

Chapters 542 and 543 of 2012 (SB 579/HB 1126) established a Class 8 farm brewery manufacturer's license. A holder of this license is authorized to sell and deliver beer manufactured in a facility on the licensed farm or in a facility other than one on the licensed farm to (1) a wholesaler licensed to sell and deliver beer in the State; or (2) a person in another state authorized to acquire beer. The beer to be sold and delivered must be manufactured with an ingredient from a Maryland agricultural product, including hops, grain, and fruit, produced on the licensed farm.

A Class 8 farm brewery may be located only at the place stated on the license and a licensee may exercise the privileges of a Class 8 farm brewery license. A licensee may (1) sell beer produced by the licensee for consumption on the licensed farm; (2) provide samples of beer, in an amount not exceeding six fluid ounces per brand, that the licensee produces to a consumer at no charge; or for a fee; and (3) sell or serve bread and other baked goods; chili; chocolate; crackers; cured meat; fruits (whole and cut); salads and vegetables (whole and cut); hard and soft cheese (whole and cut); ice cream; jelly; jam; vinegar; pizza; prepackaged sandwiches and other prepackaged foods ready to be eaten; soup; and condiments.

A Class 8 farm brewery is authorized to store on its licensed farm, in a segregated area approved by the Comptroller, beer produced at the licensed farm for sale and delivery to a wholesaler licensed in the State or a person outside of the State authorized to acquire the beer; (2) brew, bottle, or contract for not more than 15,000 barrels of beer each calendar year; (3) contract with the holder of a Class 5 brewery license or a Class 2 rectifying license to brew and bottle beer from ingredients produced on the licensed farm; (4) import, export, and transport its beer; and (5) store beer at a warehouse for which the licensee has been issued an individual storage permit, for sale and delivery to a wholesaler licensed in the State or a person outside of the State authorized to acquire the

beer, or shipment back to the licensed farm, if the licensee does not serve or sell beer at the warehouse; and the Comptroller has full access at all times to the warehouse.

**Background:** There are currently 19 Class 7 micro-brewery licenses, 37 Class 2 rectifying licenses, and 1 Class 8 farm brewery licenses issued in the State.

According to the Comptroller's *Alcohol & Tobacco Tax Report* for fiscal 2012, Maryland brewers sold 3.9 million gallons of beer in fiscal 2012. Of this amount, 32.4% was sold to wholesalers, 8.6% was sold at the brewery, and 58.2% was sold out of state.

The State sales tax rate on alcoholic beverages is 9.0% and the alcoholic beverages tax on beer is \$0.09 per gallon. A Class 8 farm brewery manufacturer's license is \$200.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 22, 2013  
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