

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 226

(Senators Pinsky and Young)

Education, Health, and Environmental Affairs

Economic Matters

Alcoholic Beverages - Brewing Company Off-Site Permit

This bill establishes a brewing company off-site permit. The Comptroller may issue a brewing company off-site permit to a Class 7 micro-brewery that produces less than 3,000 barrels per year or a Class 8 farm brewery subject to specified requirements. The annual permit fee is \$100.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: Minimal increase in general fund revenues from permit fees and taxes on alcoholic beverages. The amount of the increase depends on the number of permits issued and the amount of beer sold, which cannot be reliably estimated, but is not anticipated to be significant. Expenditures are not affected; the Comptroller can enforce the bill using existing budgeted resources.

Local Effect: None.

Small Business Effect: Potential meaningful impact for specified Class 7 micro-brewery and Class 8 farm brewery manufacturers who may benefit from the ability to sell beer at events authorized by the brewing company off-site permit.

Analysis

Bill Summary: The permit may be used only (1) during the Montgomery County Agricultural Fair; (2) during the Maryland State Agricultural Fair; (3) during the Frederick County Agricultural Fair; (4) one night each week from June through

November at the North Beach Friday Night Farmers' Market; (5) for up to seven events, at an event that has as its major purpose an activity that is other than the sale and promotion of alcoholic beverages and for which the participation of a brewing company is a subordinate activity; (6) at other farmers' markets that are listed on the Farmers' Market Directory of the Maryland Department of Agriculture (MDA); and (7) at a beer festival that is authorized by the Comptroller and has as its primary purpose the promotion of Maryland beer.

During an authorized event, a permit holder may (1) provide to a consumer a sample that has been produced by the permit holder and that may not exceed one fluid ounce for each brand; (2) sell to a consumer up to 288 ounces of beer that has been produced by the permit holder for off-premises consumption; and (3) except for specified farmers' markets, sell to a consumer up to 288 ounces of beer that is produced by the permit holder for on- and off-premises consumption. While selling beer or providing samples at a specified farmers' market, a permit holder must have an agent present who is certified by an approved alcohol awareness program.

The term of a brewing company off-site permit is one year.

The Comptroller is authorized to adopt regulations requiring the permit holder to notify the local licensing board of its intention to attend an off-site event. The bill establishes specified reporting requirements for permit holders.

Current Law/Background: In fiscal 2013, the Comptroller issued 24 Class 7 micro-brewery and 2 Class 8 farm brewery licenses who would all be eligible for a brewery company off-site permit under the bill. The bill authorizes brewing company off-site permit holders to sell and provide samples of beer at specified events, including farmers' markets, in a manner similar to what is already authorized to winery off-site permit holders, as discussed below.

There were 144 farmers' markets listed in the 2013 Farmers' Market Directory issued by MDA.

Winery Off-site Permit

Chapter 396 of 2013 established a winery off-site permit for a holder of a Class 4 limited winery manufacturer's license for use only at specified events including farmers' markets. During an authorized event, a permit holder may (1) provide to a consumer a sample that has been produced by the permit holder and that may not exceed one fluid ounce for each brand; (2) sell to a consumer wine that has been produced by the permit holder for off-premises consumption; and (3) except for specified farmers'

markets, sell to a consumer wine that is produced by the permit holder for on- and off-premises consumption. The winery off-site permit fee is \$100 per year.

In fiscal 2013, 41 winery off-site permits were issued, and the permits generated \$4,100 in general fund revenue.

State Revenues: General fund revenues increase minimally from permit fees, the sales tax on alcoholic beverages, and the alcoholic beverages tax. The amount of the increase depends on the number of permits issued and the amount of beer sold. Although any increase cannot be reliably estimated at this time, it is not anticipated to be significant.

The annual fee for a brewing company off-site permit is \$100. The sales tax on alcoholic beverages is 9%, and the alcoholic beverages tax on beer is \$0.09 per gallon. Revenues from these taxes and permit fees are deposited into the general fund.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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