

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 630

(Senator Hershey)

Education, Health, and Environmental Affairs

Economic Matters

Comptroller - Distillery Off-Site Permit and Liquor Festival Permit

This bill authorizes the Comptroller to grant a distillery off-site permit to a Class 1 distillery licensee or a Class 9 limited distillery licensee. The annual fee for a distillery off-site permit is \$250. Additionally, the Comptroller may grant a liquor festival permit to a nonprofit organization. The fee for a liquor festival permit is \$100.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: General fund revenues increase by \$250 annually for each distillery off-site permit and by \$100 for each liquor festival permit granted in the State beginning in FY 2017. The Comptroller’s Office incurs a one-time expenditure increase of \$38,200 in FY 2017 to change forms and make information technology programming changes.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	-	-	-	-	-
GF Expenditure	\$38,200	\$0	\$0	\$0	\$0
Net Effect	(\$38,200)	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal overall, but potential meaningful for Class 1 distillery licensees or Class 9 limited distillery licensees that benefit from additional avenues to sell and promote their liquor under the bill. Nonprofits that obtain a liquor festival permit also benefit.

Analysis

Bill Summary: The distillery off-site permit holder may use the permit at specified events, including specified agricultural fairs, farmers' markets, liquor festivals, and not more than six other events in a year in which the major purpose of the event is not the sale and promotion of alcoholic beverages and for which the distillery's participation is a subordinate activity. During an event, the distillery off-site permit holder may sell to a consumer liquor that has been produced by the permit holder for off-premises consumption and provide to a consumer up to four liquor samples that have been produced by the permit holder, not to exceed one-quarter fluid ounces for each offering. The permit holder must have at least one individual certified by an approved alcohol awareness program present when selling liquor or providing samples of liquor at an event. An applicant for a permit must complete an application, a permit holder must notify the Comptroller of the permit holder's intent to attend an event, and the Comptroller may adopt regulations to require the permit holder to notify the local licensing board of the permit holder's intent to attend the event.

A liquor festival permit authorizes the permit holder to conduct a liquor festival for at least one day but not more than three consecutive days and purchase liquor at wholesale to sell to a consumer liquor for off-premises consumption and provide to a consumer at no cost or for a fee not more than four samples, not to exceed one-quarter fluid ounce for each offering. The permit holder must provide space at a liquor festival for distillery off-site permit holders. A distillery off-site permit holder may provide liquor in the same manner as the liquor festival permit holder at the festival. The liquor festival permit holder may provide or sell only alcoholic beverages provided by the permit holder or distillery off-site permit holder who is in attendance. A sample may be served that is blended with products manufactured by a distillery off-site permit holder and nonalcoholic ingredients. The liquor festival permit holder must have at least two individuals certified by an approved alcohol awareness program present at the festival. The bill specifies the liquor festival application requirements and process. The liquor festival permit holder must provide the Comptroller with a list of distillery off-site permit holders who will attend at least 15 days before the liquor festival.

Current Law: A Class 1 distillery license is issued by the Comptroller's Office and authorizes the establishment and operation of a plant for distilling brandy, rum, whiskey, alcohol, and neutral spirits at the location described in the license. It also authorizes the sale and delivery of those alcoholic beverages, with specified restrictions. The annual license fee is \$2,000.

A Class 1 distillery license must be obtained for each trade name and for each distillery in the State. It permits a distiller to manufacture alcoholic beverages in the name of another person or under a trade name, provided that a distillery license has been issued to that other

person or under that trade name, as the case may be. It also permits the license holder to (1) acquire bulk alcoholic beverages from the holder of a distillery, rectifying, or winery license in the State or from the holder of a nonresident dealer's permit; (2) conduct guided tours; (3) serve samples; and (4) if the license holder manufactures no more than 27,500 gallons of products annually, sell up to three 750-milliliter bottles of products manufactured on the licensed premises, for consumption off the licensed premises, and related merchandise, to persons of legal drinking age who participate in a guided tour of the licensed premises.

Background: There are currently 14 Class 1 distillery licenses issued in the State and no Class 9 limited distillery licenses issued in the State.

In general, most Maryland jurisdictions permit the sale of alcoholic beverages through a three-tier system in which retail alcoholic beverages licensees (first tier) purchase alcoholic beverages from licensed Maryland wholesalers (second tier) who purchase alcoholic beverages from licensed manufacturers and import companies (third tier).

State Fiscal Effect: There are 14 Class 1 manufacturer's licensees in the State that may take advantage of the distillery off-site permits. Although the number of such licensees that may seek a distillery off-site permit is unknown, any increase in general fund revenues from permit fees is minimal. For example, if 7 Class 1 manufacturer's licensees hold 12 special events per year and pay the annual \$250 permit fee, general fund revenues increase by \$1,750 annually. Additionally, general fund revenues increase by \$100 for each liquor festival permit granted to a nonprofit organization.

The Comptroller's Office incurs a one-time expenditure increase of \$38,200 in fiscal 2017 to change forms and make information technology programming changes. The Comptroller's Office advises that it would need a revenue specialist to process new permits. However, the Department of Legislative Services does not anticipate a significant increase in new permits being granted. Thus, the Comptroller's Office can likely issue new permits with existing resources.

Additional Information

Prior Introductions: A similar bill, SB 911 of 2015, received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken.

Cross File: None.

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

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