

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 299

(Delegate Otto)

Economic Matters

Education, Health, and Environmental Affairs

Worcester County - Alcoholic Beverages - Refillable Container Permit for Draft Beer

This bill authorizes the Worcester County Board of License Commissioners to issue a refillable container permit for draft beer to the holder of a Class B or Class D alcoholic beverages license. The annual permit fee is \$500.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: None.

Local Effect: Worcester County revenues increase by \$500 for every permit issued. Expenditures are not materially affected.

Small Business Effect: Minimal overall, but potential meaningful impact for any qualifying licensee that obtains a refillable container permit and has significant refillable container sales.

Analysis

Bill Summary: A refillable container permit in Worcester County entitles the holder to sell draft beer for consumption off the licensed premises in a refillable container with a capacity of not less than 32 ounces and not more than 128 ounces.

The refillable container used must:

- be sealable;
- be branded with an identifying mark of the seller of the container;
- bear a specified federal health warning statement;
- display instructions for cleaning the container; and
- bear a label stating that cleaning the container is the responsibility of the consumer, and that the contents are perishable and should be refrigerated immediately and consumed within 48 hours.

The Comptroller may adopt standards for containers that qualify for use in Worcester County as refillable containers for beer, including containers that originate from outside the State. A refillable container that originates from inside or outside the State may be refilled as long as the container meets any standards adopted by the Comptroller.

The term of a refillable container permit is the same as that of the applicant's underlying license. The hours of sale for a refillable container permit begin at the same time as the applicant's alcoholic beverages license and end at midnight.

A holder of a Class B restaurant license, or a Class B hotel license, is required to include receipts from the sale of draft beer under the refillable container license in their calculation of average daily receipts from the sale of alcoholic beverages.

Current Law: Statewide law prohibits any retail dealer, or agent or employee of a retail dealer, from refilling any container of alcoholic beverages with any substance after the container has been emptied of its original contents, except in specified jurisdictions which authorize the sale of alcoholic beverages in refillable containers.

Chapter 518 of 2014 standardized requirements for refillable containers used in the sale of draft beer or wine for off-premises consumption across the State. A permit holder may refill a refillable container originating from inside or outside the State that meets the following requirements, as well as any other standards for refillable containers adopted by the Comptroller.

- A refillable container for beer must have a capacity of not less than 32 ounces and not more than 128 ounces and must bear a label stating that the contents of the container are perishable and should be refrigerated immediately and consumed within 48 hours after purchase.

- A refillable container for wine must have a capacity of not less than 17 ounces and not more than 34 ounces.
- A refillable container used for beer or wine must (1) be sealable; (2) be branded with an identifying mark of the seller of the container; (3) bear a specified federal health warning statement; (4) display instructions for cleaning the container; and (5) bear a label stating that cleaning the container is the responsibility of the consumer.

Average Daily Receipts from the Sale of Alcoholic Beverages

Generally, in Maryland, a restaurant or hotel that holds a Class B license is required to calculate the average daily receipts from the sale of alcoholic beverages. For restaurants, the average daily receipts from the sale of food must exceed the average daily receipts from the sale of alcoholic beverages. For hotels, the average daily receipts from the sale of rooms and food must exceed the average daily receipts from the sale of alcoholic beverages.

In Worcester County, class B beer, wine, and liquor licenses for hotels and restaurants may be either 6-day or 7-day licenses. The board may issue a 6-day license to a hotel that has at least 20 rooms and serves meals regularly, or a restaurant that has seating at tables for at least 70 individuals. A 7-day license may be issued to a hotel that meets specified size requirements and regularly serves full-course meals, from a menu, in an enclosed dining room at least twice a day. Finally, a 7-day license may be issued to a restaurant that seats at least 70 individuals at tables in an enclosed dining area that serves full-course meals from menus at least two times a day. The average daily receipts from the sale of food must exceed the average daily receipts from the sale of alcoholic beverages.

Background: In the retail alcoholic beverages industry, refillable containers are commonly called “growlers.”

Local Revenues: In fiscal 2015, there were 300 alcoholic beverages licenses issued for use in Worcester County, 188 of which were Class B licenses and 46 of which were Class D licenses eligible to apply for a refillable container permit under the bill. The number of qualified licensees which will seek to obtain a refillable container permit is unknown. However, *for illustrative purposes only*, if five Class B license holders and three Class D license holders apply for a refillable container permit, Worcester County revenues increase by \$4,000 annually.

Additional Information

Prior Introductions: None.

Cross File: SB 130 (Senator Mathias) - Education, Health, and Environmental Affairs.

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

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