

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1239 (Delegate Barkley)
Economic Matters

Alcoholic Beverages - Class 5 Brewery License - On-Premises Consumption

This bill increases the annual amount of beer that a Class 5 brewery licensee may sell for on-premises consumption from 500 barrels to 1,500 barrels.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Minimal increase in general fund revenues from alcoholic beverages taxes and sales taxes. The amount of the increase depends on the extent that breweries increase production and sales in excess of the 500 barrels of beer allowed under current law for on-premises consumption. The Comptroller's Office can implement the bill with existing resources.

Local Effect: None.

Small Business Effect: Minimal overall, but potential meaningful impact for Class 5 breweries that benefit from additional avenues by which to produce and sell more beer.

Analysis

Current Law: A Class 5 brewery licensee may sell up to 500 barrels each year of beer brewed at the location for on-premises consumption. The local licensing board must issue an on-site consumption permit to the brewery, as well as a Class D beer license. In addition, a local licensing board that does not issue a Class D beer license must establish an equivalent retail license for Class 5 breweries to obtain. A local licensing board may charge a fee for the on-site consumption permit, and may require the permit holder or an employee to comply with alcohol awareness training requirements.

A Class 5 brewery licensee is authorized to (1) establish and operate a plant in Maryland for brewing and bottling malt beverages at the location described in the license; (2) import beer from holders of nonresident dealer's permits; and (3) sell and deliver beer to any wholesale licensee in the State, or person outside of this State, authorized to acquire it.

A licensee is authorized to serve to a person of legal drinking age who participates in a guided tour of the facility or attends a scheduled promotional event or other organized activity at the licensed premises, no more than six samples of beer brewed at the licensed premises, with each sample consisting of no more than three ounces from a single style of beer. A licensee may also sell up to 228 ounces, per person, of beer brewed at the brewery for off-premises consumption to anyone who participates in a guided tour of the brewery or attends a scheduled promotional event or other organized activity at the licensed premises, provided the person is of legal drinking age.

The Comptroller's Office may issue a special brewery promotional event permit to a holder of a Class 5 manufacturer's license. The permit authorizes the holder to conduct on the premises of the brewery a promotional event at which the holder may (1) provide samples of no more than three fluid ounces per brand to consumers and (2) sell beer produced by the holder to persons who participate in the event. The beer at the event must be sold by the glass and for consumption on the premises only. A licensee may not be issued more than 12 permits in a calendar year, and a single promotional event may not exceed three consecutive days.

Background: There are currently 24 Class 5 (brewery) manufacturer's licenses issued in the State.

According to the Comptroller's *Alcohol & Tobacco Tax Report for Fiscal 2015*, Maryland brewers sold 6.2 million gallons of beer in fiscal 2015. Of this amount, 41% was sold to wholesalers, 6% was sold at the brewery, 52% was sold out of state, 1% was consumed on premises, and less than 1% was from tour sales or was returned to the brewery.

State Revenues: The bill authorizes Class 5 brewery licensees to sell up to 1,500, instead of 500, barrels of beer annually for on-premises consumption. As a result, general fund revenues may increase minimally from sales taxes collected on additional beer sold for on-premises consumption and on alcoholic beverages taxes from additional beer produced at each brewery. The actual amount of the revenue increase cannot be reliably estimated and depends on the amount of additional sales that occur at each location, although it is not anticipated to be significant.

The sales tax on alcoholic beverages is 9%, and the alcoholic beverages tax on beer is \$0.09 per gallon. Revenues from these taxes are deposited into the general fund.

Additional Information

Prior Introductions: A similar bill, HB 560 of 2015 received a hearing in the House Economic Matters Committee, but was withdrawn. Its cross file, SB 674, received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but was withdrawn.

Cross File: None.

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

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