

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 615 (Frederick County Delegation)
Economic Matters

Frederick County - Alcoholic Beverages - Micro-Breweries, Farm Breweries, and Limited Beer Wholesalers

This bill makes various changes to the alcoholic beverages laws in Frederick County pertaining to Class 7 micro-brewery licenses, Class 8 farm brewery licenses, and Class 7 limited beer wholesaler’s licenses. Namely, the bill (1) alters the maximum number of barrels of malt beverages a Class 7 micro-brewery licensee in Frederick County may brew, bottle, or contract for each year; (2) alters the maximum number of barrels of beer brewed under a Class 7 micro-brewery license a Class 7 micro-brewery licensee in the county may sell at retail for on-premises consumption; (3) specifies hours for the sale of beer for on- and off-premises consumption and service of food at a farm licensed under a Class 8 farm brewery license in the county; and (4) specifies eligibility requirements and privileges pertaining to a Class 7 limited beer wholesaler’s license in Frederick County. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund revenues from alcoholic beverages licenses, taxes, and sales taxes may increase minimally beginning in FY 2020 to the extent that additional Class 7 limited beer wholesaler’s licenses are issued in Frederick County and affected breweries increase production; however, any such impact cannot be reliably estimated. Expenditures are not materially affected.

Local Effect: The bill does not directly affect Frederick County operations or finances.

Small Business Effect: Meaningful for breweries in Frederick County.

Analysis

Bill Summary:

Class 7 Micro-brewery License

In Frederick County, a Class 7 micro-brewery licensee may brew, bottle, or contract for up to 45,000 barrels of malt beverages each year. The bill clarifies that a Class 7 micro-brewery licensee in the county may sell, at retail, for on-premises consumption, up to 4,000 barrels of beer brewed under the license. Additionally, the bill specifies that, in the county, a Class 7 micro-brewery licensee who holds licenses for two locations may sell, from each location, up to 4,000 barrels of beer brewed at the location.

Class 8 Farm Brewery License

In Frederick County, a Class 8 farm brewery licensee may, at the licensed farm, serve food and sell beer for on- and off-premises consumption Monday through Sunday from 10 a.m. to 10 p.m.

Class 7 Limited Beer Wholesaler's License

In Frederick County, a Class 7 limited beer wholesaler's license may be issued only to a person that produces, from all of its locations, no more than 45,000 barrels of beer annually. A Class 7 limited beer wholesaler's licensee in Frederick County may sell and deliver beer produced at the licensee's premises to the holder of a retail license or other person authorized to acquire beer from a wholesaler, as specified. A Class 7 limited beer wholesaler's licensee in the county may distribute up to 6,000 barrels of the licensee's beer annually. The bill clarifies that a Class 7 limited beer wholesaler's licensee in the county may use a second location for the warehousing, sale, and delivery of beer if (1) the licensee submits to the Comptroller a separate application for each location; (2) the specified applications are approved; and (3) the licensee pays a \$50 fee for each additional location.

Current Law:

Class 7 Micro-brewery License

The Comptroller may issue, at an annual license fee of \$500, a Class 7 micro-brewery license to the holder of a Class B beer, wine, and liquor (on-sale) license that is issued for use at a restaurant. In Frederick County, a Class 7 micro-brewery license may also be issued to the holder of a Class MEC (micro-brewery/entertainment center) license that is issued for use on a premises located in the Ballenger (23rd) election district. In general,

a Class 7 micro-brewery license authorizes the licensee to brew, bottle, and contract for up to 22,500 barrels of malt beverages each year. In determining the barrelage limit, beer produced under a contractual arrangement accrues to the license holder that owns the brand.

A Class 7 micro-brewery licensee is authorized to annually sell, at retail, for on-premises consumption, up to 4,000 barrels of beer brewed under the license. A licensee that has licenses for two locations may annually sell, in aggregate, up to 4,000 barrels of beer brewed at the licensed locations, as specified.

Class 8 Farm Brewery License

In general, a Class 8 farm brewery license, which is issued by the Comptroller at an annual license fee of \$200, authorizes the licensee to brew, bottle, or contract for up to 15,000 barrels of beer each year. However, that beer must be manufactured with an ingredient from a Maryland agricultural product, including hops, grain, and fruit, and produced on the licensed farm. The licensee may sell and deliver the beer to a licensed wholesaler or a person in another state authorized to acquire beer. In addition, a license holder may sell, for on-premises consumption, beer produced by the licensee and may sell or serve food, as specified.

A Class 8 farm brewery licensee may exercise the privileges of the license (1) from 10 a.m. to 6 p.m., for consumption of beer and sales and service of food at the licensed farm and (2) from 10 a.m. to 10 p.m., for sampling of beer and off-premises consumption of beer, as specified.

Class 7 Limited Beer Wholesaler's License

The Comptroller may issue, at an annual license fee of \$50, a Class 7 limited beer wholesaler's license to a person that (1) holds a Class 5 manufacturer's license, a Class 7 micro-brewery license, or a Class 8 farm brewery license and (2) produces, in aggregate, no more than 22,500 barrels of beer annually from all of its locations. The license authorizes the licensee to sell and deliver its own beer produced at the license holder's premises to a person authorized in the State to acquire beer from a wholesaler. A licensee may distribute up to 3,000 barrels of its own beer annually.

A Class 7 limited beer wholesaler's licensee in the county may use a second location for the warehousing, sale, and delivery of beer (1) if approved by the Comptroller following submission of a separate application for each location and (2) on payment of a \$50 fee for each additional location.

Background: As of February 2019, there were 36 Class 7 micro-brewery, 20 Class 8 farm brewery, and 77 Class 7 limited beer wholesaler's licenses issued in the State.

Small Business Effect: The bill (1) increases the maximum amount of beer that a Class 7 micro-brewery licensee in Frederick County may annually brew, bottle, or contract for; (2) increases the maximum amount of beer a Class 7 micro-brewery licensee in the county that holds licenses for two locations may sell each year at retail for on-premises consumption, as specified; (3) extends the hours that a Class 8 farm brewery licensee may serve beer and food for on-premises consumption, as specified; (4) expands eligibility for a Class 7 limited beer wholesaler's license in the county; and (5) increases the maximum amount of beer a Class 7 limited beer wholesaler's licensee may distribute annually, as specified. Accordingly, the bill has a meaningful impact for breweries in Frederick County that are able to increase production, increase sales, extend hours of sale, and/or sell their own product at wholesale under the bill.

Additional Information

Prior Introductions: None.

Cross File: SB 684 (Senators Young and Hough) - Education, Health, and Environmental Affairs.

Information Source(s): Frederick County; Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - February 15, 2019
md/tso

Analysis by: Elizabeth J. Allison

Direct Inquiries to:
(410) 946-5510
(301) 970-5510