

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 448
Finance

(Senators Gile and Hester)

Economic Matters

Alcoholic Beverages – Manufacturer’s Licenses and Off–Site Permits

This bill extends the termination dates for provisions of Chapters 359 and 360 of 2021 and Chapters 477 and 478 of 2022 related to the sale and delivery of alcoholic beverages by certain alcoholic beverages manufacturers from June 30, 2023, to June 30, 2024. The bill also delays the date from July 1, 2023, to July 1, 2024, that specified license holders are authorized to sell up to 288 ounces of beer to a person at an off-site permitted event. Under the bill, only holders of manufacturer’s licenses that received authorization for direct shipment of alcohol from the Alcohol and Tobacco Commission (ATC) by April 6, 2023, may ship alcohol directly. The bill also restricts the amount of liquor or beer that holders of specified manufacturer’s licenses may ship directly to a consumer during a calendar year. Holders that sold and delivered a product produced under the holder’s license to an individual located in the State must submit a report to ATC, as specified. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: Minimal general fund revenues and expenditures for ATC are maintained beyond the amended June 30, 2023, termination date.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: Meaningful.

Analysis

Bill Summary: Under the bill, an authorized holder of a Class 1 distillery license, Class 4 limited winery license, Class 5 brewery license, Class 7 micro-brewery license, Class 8

farm-brewery license, or Class 9 limited distillery license may not directly ship to a consumer during a calendar year (1) more than the equivalent of 18 standard size 750 milliliter bottles of liquor or (2) more than 3,456 ounces of beer.

Current Law: Alcoholic beverages manufacturer's licenses are issued and regulated at the State level by ATC. Each of the nine types of manufacturer's licenses confer different privileges related to the type of alcoholic beverage that may be produced (beer, wine, or liquor), how much may be produced each year, and whether the alcoholic beverages can be sold for on- or off-premises consumption. For example, a Class 1 distillery license and Class 2 limited distillery license allow the production and sale of liquor, while a Class 3 winery license and Class 4 limited winery license allow the production and sale of wine.

Other special permits exist that can be applied for and obtained by specified manufacturers to, among other things, sell and deliver some of the manufacturer's product directly at wholesale. Additionally, manufacturers are also authorized to obtain certain permits from ATC to attend special events, such as farmer's markets and festivals, to advertise, sell, or serve their manufactured products.

Chapters 359 and 360 of 2021 made various changes to the regulation of these entities and these changes originally were to terminate December 31, 2022; however, this termination date was extended to June 30, 2023, by Chapters 477 and 478 of 2022. Broadly, Chapters 359 and 360 of 2021:

- repealed differing permits that allowed manufacturers to attend and participate in special events and, instead, established a manufacturer's off-site permit and a brewery special event permit;
- altered the fee structure for most manufacturer's licenses by allowing ATC to set the fees and establishing the previous statutory fees as the maximum amount that the fee may be set;
- authorized most manufacturers to sell and deliver their own alcoholic beverages products directly to customers if specified procedures are followed;
- altered the limitations of the Class 7 limited beer wholesaler's license to allow certain beer manufacturers to sell some of their own beer at wholesale;
- altered the privileges associated with Class 1 distillery licenses to allow additional sampling and product sales to consumers that visit the distillery; and
- altered the privileges associated with Class 8 farm-brewery licenses to allow the sale of alcoholic beverages for off-premises consumption.

Chapters 477 and 478 of 2022, in addition to other changes, limited the sale of beer at authorized events by specified beer manufacturers to up to 288 ounces of beer per customer

for off-premises consumption at an approved off-site permitted event effective July 1, 2023.

Small Business Effect: The extension of various provisions of Chapters 359 and 360 of 2021 and Chapters 477 and 478 of 2022 continues to allow a small business alcoholic beverages manufacturer to obtain various permits to increase its business. Additionally, the extension continues to allow a small business manufacturer to deliver its own alcoholic beverages products, subject to specified limits under the bill, which likely results in increased sales.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 595 (Delegate Qi) - Economic Matters.

Information Source(s): Caroline, Howard, and Prince George's counties; Alcohol and Tobacco Commission; Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2023
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