

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 393

(Delegate V. Clagett, *et al.*)

Economic Matters

Education, Health, and Environmental Affairs

Alcoholic Beverages - Winery Special Event and Charity Wine Auction Permits

This bill increases the frequency in which a winery special event permit may be issued to a winery for use in a political subdivision to three permits per calendar year. The bill also repeals the requirement that a winery special event be organized and conducted by a nonprofit organization or government entity. The bill also decreases from \$500 to \$10 the fee for a charity wine auction permit.

The bill takes effect June 1, 2004.

Fiscal Summary

State Effect: General fund revenues would decrease by \$490 for each charity wine auction permit issued. General fund revenues would increase by \$25 for each winery special event permit issued. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: A winery special event permit may be issued by the State Comptroller's Office to a licensed Class 4 Maryland limited winery, provided that no more than 12 winery special event permits are issued to the Class 4 limited winery in any given calendar year, the permit does not exceed three consecutive days, and no more than one winery special event permit is issued in any calendar year to any limited winery for use in the same political subdivision. The winery special event permit may only be issued for an event that: (1) has as its major purpose an activity other than the sale and promotion of alcoholic beverages and for which the participation of the winery is a subordinate

activity; (2) is organized and conducted by a nonprofit organization or government entity; (3) is approved by the Maryland Department of Agriculture and the Comptroller's Office; and (4) is held on a nonlicensed premises or a premises on which a person may obtain a temporary alcoholic beverages license. The fee for a winery special event permit is \$25.

A charity wine auction permit may be issued by the Comptroller's Office. The permit holder is authorized to conduct one auction of wine during a calendar year. The fee for a charity wine auction permit is \$500.

Background: The winery special event permit was created by Chapter 598 of 2000. The charity wine auction permit was created by Chapter 755 of 1986.

The Alcohol and Tobacco Tax Division of the Comptroller's Office advises that approximately 10.8 million gallons of wine were delivered and sold in Maryland in fiscal 2003. More than 104,000 gallons of this total was wine produced by Maryland wineries. Furthermore, wine sales data collected by the division indicate that nearly 99% of all wine produced at Maryland wineries is sold or consumed as samples in Maryland and that the fiscal 2003 retail sales growth of Maryland winery products was approximately 21%.

As of January 2004, there are 12 Class 4 limited wineries in Maryland. **Exhibit 1** details the Class 4 limited wineries in Maryland and their locations by city and county.

Exhibit 1
Class 4 Limited Wineries in Maryland

<u>Class 4 Winery Name</u>	<u>City</u>	<u>County</u>
Basignani Winery Ltd.	Sparks	Baltimore
Linganore Plantations, Inc.	Mt. Airy	Frederick
Boordy Vineyards, Inc.	Hydes	Baltimore
Catoctin Vineyards, Inc.	Brookeville	Montgomery
Cygnus Wine Cellars	Manchester	Carroll
Deep Creek Cellars, Inc.	Friendsville	Garrett
Elk Run Vineyard, Inc.	Mt. Airy	Frederick
Fiore Winery, Inc.	Pylesville	Harford
Little Ashby Winery, LLC	Easton	Talbot
Loew Vineyards, Inc.	Mt. Airy	Frederick
Penn Oaks Winery	Silver Spring	Montgomery
Woodhall Vineyards, Inc.	Parkton	Baltimore

State Fiscal Effect: Overall, revenues are expected to decrease by \$460 annually. The Comptroller's Office advises that 20 winery special event permits were issued in fiscal 2003 for a total of \$500 in general fund revenues. The Comptroller's Office anticipates that an additional 20 winery special event permits could be issued annually. Accordingly, general fund revenues from such permits could increase by \$500 beginning in fiscal 2005. However, this increase would be offset by a loss of revenues due to the reduced charity wine auction permit fee.

The Comptroller's Office advises that two charity wine auction permits were issued in fiscal 2003 for a total of \$1,000 in general fund revenues. The Comptroller's Office further advises that a total of four charity wine auction permits are anticipated to be issued if the fee is decreased to \$10 for a total of \$40 in revenue. Accordingly, general fund revenues from such permits would decrease by \$960 annually.

Small Business Effect: Class 4 limited wineries will benefit from the ability to hold additional events to display and discuss their products with interested consumers. The Association of Maryland Wineries advises that Maryland wineries have observed that retail sales of their products sharply increase after every special winery event. Additionally, the association indicates that Maryland wineries have seen a 60% increase in retail sales of their products since the special winery permit was created in 2000.

Additional Information

Prior Introductions: None.

Cross File: SB 27 (Senator Brinkley) – Education, Health, and Environmental Affairs.

Information Source(s): Linganore Plantations, Inc.; Maryland Association of Wineries; Comptroller's Office; Department of Legislative Services

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