

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1126
Economic Matters

(Delegate Schulz, *et al.*)

Education, Health, and Environmental Affairs

Alcoholic Beverages - Farm Brewery Manufacturer's License

This bill establishes a Class 8 farm brewery manufacturer's license.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: General fund revenues will increase by \$200 for each farm brewery manufacturer's license that is issued and by \$25 for each brewery promotional event permit that is issued. State expenditures are not affected.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill establishes a Class 8 farm brewery manufacturer's license. The annual license fee is \$200. A holder of this license is authorized to sell and deliver beer manufactured in a facility on the licensed farm or in a facility other than one on the licensed farm to (1) a wholesaler licensed to sell and deliver beer in the State; or (2) a person in another state authorized to acquire beer. The beer to be sold and delivered must be manufactured with an ingredient from a Maryland agricultural product, including hops, grain, and fruit, produced on the licensed farm.

A Class 8 farm brewery may be located only at the place stated on the license and a licensee may exercise the privileges of a Class 8 farm brewery license. A licensee may (1) sell beer produced by the licensee for consumption on the licensed farm; (2) provide

samples of beer, in an amount not exceeding six fluid ounces per brand, that the licensee produces to a consumer at no charge; or for a fee; and (3) sell or serve bread and other baked goods; chili; chocolate; crackers; cured meat; fruits (whole and cut); salads and vegetables (whole and cut); hard and soft cheese (whole and cut); ice cream; jelly; jam; vinegar; pizza; prepackaged sandwiches and other prepackaged foods ready to be eaten; soup; and condiments.

From 10 a.m. to 6 p.m. a licensee may be open for the consumption of beer and sales and service of food at the licensed farm. From 10 a.m. to 10 p.m. a licensee may be open for (1) sampling of beer; (2) consumption of beer off the licensed farm if the beer is packaged in sealed or resealable containers, such as growlers; and (3) guests who attend a planned promotional event or other organized activity at the licensed farm.

A Class 8 farm brewery license allows the licensee to operate seven days a week, except in Garrett County, where a licensee may open on Sundays (from 1 p.m. until 10 p.m.) only in an election district where the voters, in a referendum authorized by law, have approved Sunday sales at a farm.

A licensee may not sell or allow to be consumed at the location of the farm brewery any alcoholic beverage other than the beer produced by the licensee except under certain conditions.

A licensee is authorized to store on its licensed farm, in a segregated area approved by the Comptroller, beer produced at the licensed farm for sale and delivery to a wholesaler licensed in the State or a person outside of the State authorized to acquire the beer; (2) brew, bottle, or contract for not more than 15,000 barrels of beer each calendar year; (3) contract with the holder of a Class 5 brewery license or a Class 2 rectifying license to brew and bottle beer from ingredients produced on the licensed farm; (4) import, export, and transport its beer; and (5) store beer at a warehouse for which the licensee has been issued an individual storage permit, for sale and delivery to a wholesaler licensed in the State or a person outside of the State authorized to acquire the beer, or shipment back to the licensed farm, if the licensee does not serve or sell beer at the warehouse; and the Comptroller has full access at all times to the warehouse.

A licensee may sponsor a multibrewery activity at the licensed farm that includes the products of other Maryland breweries; and provides for the sale of beer by the glass for consumption on the premises only.

A licensee may store the products of other Maryland breweries in a segregated area approved by the Comptroller for a multibrewery activity. A multibrewery activity may be held from 10 a.m. to 10 p.m. each day and may not exceed three consecutive days.

The Comptroller's Office is authorized to issue a special brewery promotional event permit to a licensee. The permit fee is \$25 per event, and a licensee may not be issued more than 12 permits in a calendar year. A permit authorizes a licensee to conduct a promotional event at which the licensee may provide samples of not more than six fluid ounces per brand to consumers; and sell beer produced by the licensee to persons who participate in the event. A single promotional event may be held from 10 a.m. to 10 p.m. each day and may not last more than three consecutive days.

Current Law: There are seven manufacturer's licenses issued by the Comptroller, as shown in **Exhibit 1**.

State Fiscal Effect: General fund revenues will increase by \$200 for each farm brewery manufacturer's license that is issued and by \$25 for each brewery promotional event permit that is issued. The amount of any increase will depend on the number of farm brewery manufacturer's licenses issued and the number of promotional event permits issued. The number of times this may occur cannot be reliably estimated. Exhibit 1 shows the number of manufacturer's licenses and corresponding fee revenue for fiscal 2011.

Exhibit 1
Manufacturer's Licenses – Alcoholic Beverages
Fiscal 2011

License Type		Fee	Licenses	Fee Revenue*
Distillery	Class 1	\$2,000	1	\$2,020
Rectifying	Class 2	600	38	24,520
Winery	Class 3	750	0	0
Limited Winery	Class 4	200	51	10,790
Brewery	Class 5	1,500	9	13,125
Pub-brewery	Class 6	500	1	500
Micro-brewery	Class 7	500	14	6,500
Total			114	\$57,455

*License year is from May 1 to April 30; due to prorating of fees, actual revenue collected may not coincide with the number of licenses issued.

Source: Comptroller's Office

Small Business Effect: Farm breweries will realize an economic benefit from the production and sale of beer as well as being able to hold various events on their premises. In addition, farms that grow and sell ingredients, such as barley and hops, for the production of beer may realize increased sales if the bill encourages more beer production in the State.

Additional Information

Prior Introductions: None.

Cross File: SB 579 (Senator Glassman, *et al.*) - Education, Health, and Environmental Affairs.

Information Source(s): Maryland Department of Agriculture, Comptroller's Office, Maryland Association of Counties, Department of Legislative Services

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