

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 717

(Delegate Hershey, *et al.*)

Economic Matters

Education, Health, and Environmental Affairs

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**Alcoholic Beverages - Distilleries - Tours, Samples, and Sales**

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This bill authorizes the holder of a Class 1 distillery license to allow tours of the distillery with limited sales and to allow promotional events on-site with prior notice to the Comptroller.

The bill takes effect July 1, 2012.

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**Fiscal Summary**

**State Effect:** Minimal increase in alcoholic beverages tax and retail sales tax revenues. State expenditures are not affected.

**Local Effect:** No direct fiscal or operational impact on local government.

**Small Business Effect:** Potential meaningful. The one current licensee, and any future licensees, will benefit from the bill's expansion of licensee privileges.

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**Analysis**

**Bill Summary:** The bill expands the privileges of a distillery license so that the license holder may conduct guided tours of the licensed premises; serve not more than three samples (not more than one-half ounce from a single product) of products manufactured at the licensed premises; and sell up to three 750-milliliter bottles of products manufactured on the licensed premises for consumption off the licensed premises, and related merchandise, to persons of legal drinking age who participated in a guided tour of the licensed premises. If the distiller manufactures more than 27,500 gallons of products annually, such sales of the distilled products are not allowed.

The bill also:

- prohibits a license holder from acting as a food caterer;
- sets hours and requirements for regular operations and promotional events;
- specifies that a Class 1 manufacturer's license allows the license holder to operate seven days a week;
- authorizes such a license holder to be open on Sundays in Garrett County, by election district, if the voters in that district approve distillery Sunday sales by referendum;
- limits the availability of products not manufactured by the distillery for sale or consumption on site; and
- specifies that the bill's provisions do not limit the application of relevant provisions of Title 21 (Food, Drugs, and Cosmetics) of the Health-General Article and regulations adopted under that title.

**Current Law:** A Class 1 manufacturer's license is a distillery license, which authorizes the establishment and operation of a plant for distilling brandy, rum, whiskey, alcohol, and neutral spirits. It also authorizes the sale and delivery of those alcoholic beverages in bulk to persons authorized in Maryland to acquire them, and the sale and delivery of those alcoholic beverages to persons located outside of Maryland.

A Class 1 manufacturer's license must be obtained for each trade name and for each distillery in the State. It permits a distiller to manufacture alcoholic beverages in the name of another person or under a trade name, provided a distillery license has been issued to that other person or under that trade name, as the case may be. It also permits the license holder to acquire bulk alcoholic beverages from the holder of a distillery, rectifying, or winery license in Maryland or from the holder of a nonresident dealer's permit.

**Background:** There is one Class 1 manufacturer's license (distillery license) holder in the State. That license was issued by the Comptroller in May 2011 to Blackwater Distilling, Inc., which is located in Queen Anne's County, and which manufactures less than 27,500 gallons of vodka annually. A second distillery is being proposed in St. Mary's County.

Chapter 238 of 2011 altered from one to six the number of beer samples that the holder of a Class 5 manufacturer's brewery license may provide to a person of legal drinking age who participates in a guided tour and extended the privilege to include a scheduled promotional event or other organized activity at the licensed premises. The Act repealed the annual 144 ounce limit on the amount of beer that may be purchased for off-premises

consumption, replacing it with a per tour 288 ounce limit. Further, the Act increased from 4 to 12 the yearly number of special brewery promotional event permits that a license holder may be issued, and increased from two ounces to three ounces the limit on the size of samples that may be offered at the event.

**State Fiscal Effect:** Under the bill, general fund revenues may increase beginning in fiscal 2013 due to increased collections of alcoholic beverages taxes on distilled spirits and increased sales tax collections on distilled spirits (9%) and food sold for consumption (6%). Because there is only one distillery license holder in the State, any such tax revenue increase are expected to be minimal.

Any required adjustments to inspections by the Comptroller's Office will be handled with existing budgeted resources.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 386 (Senator Pipkin) - Education, Health, and Environmental Affairs.

**Information Source(s):** Baltimore City; Harford, Montgomery, and Queen Anne's counties; Comptroller's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 13, 2012  
mc/hlb Revised - House Third Reader - March 29, 2012

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