

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 140
Economic Matters

(Montgomery County Delegation)
Education, Health, and Environmental Affairs

Montgomery County - Micro-Brewery Licenses and Class D Beer and Light Wine
Licenses
MC 3-14

This bill authorizes the holder of a Class D beer and light wine license in Montgomery County to be issued a Class 7 micro-brewery license by the Comptroller.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: General fund revenues increase by \$500 annually for each new Class 7 micro-brewery license issued to a holder of a Class D beer and light wine license in Montgomery County beginning in FY 2015. Expenditures are not affected.

Local Effect: Minimal increase in local revenues for Montgomery County from filing fees and annual license fees. Expenditures are not materially affected.

Small Business Effect: Minimal overall, but potential meaningful for any small business with a Class D beer and wine license in Montgomery County that seeks to establish a micro-brewery.

Analysis

Current Law: Class 7 micro-brewery (on- and off-sale) licenses are issued by the Comptroller's Office for use in 23 jurisdictions – Allegany, Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Charles, Dorchester, Frederick, Garrett, Harford, Howard, Kent, Montgomery, Prince George's, Queen Anne's, St. Mary's, Talbot, Washington,

Wicomico, and Worcester counties; Baltimore City; and the City of Annapolis. In general, the license is issued only to a holder of a Class B beer, wine, and liquor (on-sale) license that is issued for use on the premises of a restaurant with exceptions for the Town of Berlin in Worcester County, and Dorchester, Kent, Montgomery, Prince George's, and Washington counties. In Montgomery County, a license may also be issued to a Class H beer and light wine license holder for use on the premises of a restaurant.

Class 7 micro-brewery licensees may sell up to 4,000 barrels of beer to customers for consumption on the premises and may collectively brew, bottle, or contract for up to 22,500 barrels of malt beverages each calendar year. License holders in the 23 jurisdictions also have an off-sale privilege to sell beer brewed under the license to customers for consumption off the licensed premises in refillable containers that are sealed by the licensee at the time of each refill. In Montgomery County only, a Class 7 micro-brewery license holder has to enter into a written agreement with the county Department of Liquor Control for the sale and resale of malt beverages brewed under the license.

In Montgomery County, Class D beer and wine licenses allow the sale of beer and wine to be consumed on the premises or elsewhere, as defined on the license.

Background: In fiscal 2013, there were 21 Class 7 micro-brewery licenses issued in the State, three of which were located in Montgomery County. There were 81 Class D beer and wine licenses in Montgomery County in fiscal 2013.

State Revenues: General fund revenues increase by \$500 for each new Class 7 micro-brewery license issued by the Comptroller to a holder of a Class D beer and wine license in Montgomery County beginning in fiscal 2015. It is expected that at least one business will seek a Class 7 micro-brewery license. The annual license fee is \$500.

The Class 7 micro-brewery license allows the licensee to brew or contract to brew and bottle up to 22,500 barrels of malt beverages each year. As a result, alcoholic beverages and sales tax revenue may increase minimally from additional beer being sold by the micro-breweries. The sales tax on alcoholic beverages is 9%; revenue from the sales tax is deposited into the general fund.

Local Fiscal Effect: The Montgomery County Board of License Commissioners issues Class D beer and wine licenses for an annual license fee of \$250 and a filing fee of \$500. It is expected that at least one additional business will obtain a Class D beer and wine license in order to obtain a micro-brewery license; thus, local revenues increase by \$500 at the time of application and \$250 annually for each license issued. Any enforcement activities can be handled with existing resources.

Additional Information

Prior Introductions: None.

Cross File: SB 310 (Montgomery County Senators) - Education, Health, and Environmental Affairs.

Information Source(s): Comptroller's Office, Montgomery County, Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2014
ncs/lgc

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