

Department of Legislative Services
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2014 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 458

(Senators Pugh and Ferguson)

Education, Health, and Environmental Affairs

Economic Matters

Baltimore City - Alcoholic Beverages - Micro-Brewery Licenses

This bill adds the fortieth Alcoholic Beverages District of Baltimore City to the list of locations in which a holder of a certain Class D alcoholic beverages license may be issued a Class 7 micro-brewery (on- and off-sale) license. The bill also (1) authorizes the license holder to brew at two locations using the same license if the Comptroller determines that the second location is necessary because of insufficient space at the existing license location; (2) prohibits the holder of the license from serving or selling beer at the second brewing location; and (3) authorizes the license holder to obtain a Class 2 rectifying license for the premises at the two locations.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: Minimal. General fund revenues increase by \$500 annually for each new Class 7 micro-brewery license issued in Baltimore City beginning in FY 2015; general fund revenues increase further to the extent any additional Class 2 rectifying licenses are issued. Alcoholic beverages and sales tax revenues may also increase minimally. Expenditures are not affected; the Comptroller can implement the bill, and make required determinations, with existing resources.

Local Effect: None.

Small Business Effect: Minimal overall, but potential meaningful for any Class D licensee in Baltimore City that obtains a Class 7 micro-brewery license (and rectifying license) in Baltimore City.

Analysis

Current Law/Background: 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. The annual license fee is \$500.

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.

An existing Class D alcohol beverages licensee may be issued a Class 7 micro-brewery license for use on the premises if the premises are located in the twenty-second Alcoholic Beverages District of Prince George's, Washington, or Dorchester counties.

A Class 7 micro-brewery license may also (1) obtain a Class 2 rectifying license for a premises located within one mile of the existing Class 7 micro-brewery location to bottle malt beverages brewed at the micro-brewery location only; (2) contract with the holder of a Class 2 rectifying license, a Class 5 brewery license, a Class 7 micro-brewery license, or a Class 8 farm brewery license or the holder of a nonresident dealer's permit to brew and bottle malt beverages on their behalf; (3) store the finished product under an individual storage permit or at a licensed public storage facility for subsequent sale and delivery to a licensed wholesaler, an authorized person outside of Maryland, and for shipment back to the micro-brewery location for sale on the retail premises; and (4) enter into a temporary delivery agreement with a distributor only for delivery of beer to a beer festival or wine and beer festival and the return of any unused beer, under specified circumstances.

A Class 2 manufacturer's license is a rectifying license that authorizes the license holder to (1) establish and operate a plant in Maryland for rectifying, blending, and bottling alcoholic beverages and (2) sell and deliver alcoholic beverages to a holder of a distillery, rectifying, or wholesaler's license, or to permit holders authorized to acquire those alcoholic beverages and to persons outside of the State. A licensee is authorized to acquire alcoholic beverages from the holder of a (1) distillery, rectifying, winery, or wholesaler's license in Maryland or (2) nonresident dealer's permit. A licensed rectifier is also allowed to rectify, blend, bottle, and store alcoholic beverages for another person

or under another trade name if a rectifying license has been issued in the name of that person or under that trade name. The annual license fee is \$600. With certain limitations, Chapters 636 and 637 of 2012 expanded the privileges of a rectifying 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 products manufactured on the licensed premises for consumption off or on the licensed premises during specified hours.

In fiscal 2013, there were 156 Class D licenses issued in Baltimore City. Baltimore City reports that there is one Class D licensee in the fortieth Alcoholic Beverages District of Baltimore City interest in obtaining a Class 7 micro-brewery license (with a rectifying license) if the licensee can operate at two locations instead of one.

State Revenues: General fund revenues from licensee fees increase by \$500 annually for each new Class 7 micro-brewery license issued by the Comptroller as a result of the bill. General fund revenues increase by an additional \$600 for each additional Class 2 rectifying license issued as a result of the bill.

Alcoholic beverages and sales tax revenue may increase minimally from additional beer being sold by micro-breweries. The sales tax on alcoholic beverages is 9% and the alcoholic beverages tax on beer is \$0.09 per gallon; revenues from these taxes are deposited into the general fund.

Additional Information

Prior Introductions: None.

Cross File: HB 953 (Delegate McHale, *et al.*) - Economic Matters.

Information Source(s): Baltimore City, Comptroller's Office, Department of Legislative Services

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