

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 911 (Senator Hershey)
Education, Health, and Environmental Affairs

Comptroller - Special Event Liquor Permit

This bill authorizes the Comptroller's Office to issue a special event liquor permit to a Class 2 (rectifying) manufacturer's licensee under specified conditions. Additionally, a Class 2 manufacturer's licensee may sell liquor by the glass that the holder produces to persons attending a scheduled promotional event or other organized activity at the licensed premises. A Class 2 manufacturer's licensee may store other Class 2 manufacturers' products in an approved segregated area to be used at promotional activities of a trade association representing Maryland distillers or rectifiers if records are maintained and reports are filed as the Comptroller requires. A Class 2 manufacturer's licensee may bring liquor manufactured on its licensed premises onto a retail licensed premises under specified conditions.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations. Any increase in general fund revenues from additional permit fees is not anticipated to be significant. The Comptroller's Office can issue and monitor permits with existing resources.

Local Effect: None.

Small Business Effect: Minimal overall, but potential meaningful for Class 2 manufacturer's license holders that benefit from additional avenues to sell and promote their liquor under the bill.

Analysis

Bill Summary: The Comptroller's Office may issue a special event liquor permit to a Class 2 manufacturer's licensee if (1) no more than 12 permits are issued to the licensee in any calendar year; (2) the duration of the permit does not exceed three consecutive days; and (3) no more than one permit is issued in any calendar year to any Class 2 manufacturer's licensee for use in the same political subdivision.

The special event liquor permit may be issued only for an event that (1) does not have the sale and promotion of liquor as its major purpose; (2) is organized and conducted by a nonprofit organization or governmental entity; (3) the Comptroller's Office approves; and (4) is held on a nonlicensed premises or a premises on which a person may obtain a temporary alcoholic beverages license.

A special event liquor permit authorizes the permit holder to provide one-ounce samples, sell liquor by the glass for on-premises consumption, and sell no more than four 750 milliliter bottles of liquor to a consumer for off-premises consumption. The fee for a special event liquor permit is \$25 per event. A Class 2 manufacturer's licensee must file an application for a special event liquor permit with the Comptroller's Office at least 15 days before the event.

Additionally, the bill authorizes a Class 2 manufacturer's licensee to bring liquor manufactured on its licensed premises onto a retail licensed premises if:

- the product is being provided for a promotional activity conducted by the license holder or a retail licensee, an alcoholic beverages trade association, or a nonprofit organization;
- a representative of the license holder or a trade association representing Maryland distillers or rectifiers is present at all times during the promotional activity;
- any unopened or partially consumed containers of liquor are removed at the end of the promotional activity;
- the license holder or trade association complies with the Comptroller's rules or regulations relating to on-premises promotions and product sampling; and
- the license holder or trade association has advance written permission of the retail licensee to bring liquor products on the retail licensed premises for the promotional activity.

Current Law: 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, a rectifying 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.

Generally, a person may not drink on a licensed premise any alcoholic beverages not purchased from the license holder unless otherwise permitted under State law, and a license holder may not permit a person to drink alcoholic beverages that were not purchased from the licensee on the licensed premises.

Background: In general, most Maryland jurisdictions permit the sale of alcoholic beverages through a three-tier system in which retail alcoholic beverages licensees (first tier) purchase alcoholic beverages from licensed Maryland wholesalers (second tier) who purchase alcoholic beverages from licensed manufacturers and import companies (third tier).

State Fiscal Effect: There are 59 Class 2 manufacturer's licensees in the State that may take advantage of the special event liquor permits. Although the number of such licensees that seek a special event liquor permit is unknown, any increase in general fund revenues from permit fees is not anticipated to materially affect State finances. For example, if 10 Class 2 manufacturer's licensees hold 12 special events per year and pay the \$25 permit fee per event, general fund revenues increase by \$3,000 annually. The Comptroller's Office advises that it can implement the bill with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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md/lgc

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