

Department of Legislative Services  
Maryland General Assembly  
2017 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 42  
Economic Matters

(Delegate Barkley)  
Education, Health, and Environmental Affairs

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Alcoholic Beverages - Class 1 Distillery Licenses

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This bill authorizes a Class 1 distillery license holder to rectify, blend, and bottle specified alcoholic beverages at the location described in the license. A Class 1 distillery license holder may acquire alcoholic beverages from the holder of a manufacturer's license, wholesaler's license, or nonresident dealer's permit for use in manufacturing. The bill alters the samples that a Class 1 license holder may serve to specified individuals. A license holder may sell 2.25 liters, instead of three 750-milliliter bottles, of products manufactured on the licensed premises for off-premises consumption. Additionally, the bill expands the Class 1 distillery license holder's hours for on-premises consumption.

The bill takes effect July 1, 2017.

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Fiscal Summary

**State Effect:** The Comptroller's Office can implement the bill with existing resources. The Comptroller's Office does not anticipate a decrease in Class 2 rectifying licenses as a result of authorizing Class 1 distillery license holders to rectify specified products. However, to the extent that there is a decline in Class 2 rectifying licenses, annual license fees decrease by \$600 per license.

**Local Effect:** None.

**Small Business Effect:** Minimal. Class 1 distillery license holders benefit from being able to acquire alcoholic beverages from more sources and being able to sell more products.

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## Analysis

**Current Law:** A Class 1 distillery license is issued by the Comptroller's Office and authorizes the establishment and operation of a plant for distilling brandy, rum, whiskey, alcohol, and neutral spirits at the location described in the license. It also authorizes the sale and delivery of those alcoholic beverages, with specified restrictions. The annual license fee is \$2,000.

A Class 1 distillery 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 that 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 (1) acquire bulk alcoholic beverages from the holder of a distillery, rectifying, or winery license in the State or from the holder of a nonresident dealer's permit; (2) conduct guided tours; (3) serve samples; and (4) 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 participate in a guided tour of the licensed premises.

**Background:** As of January 2017, there were 20 Class 1 distillery licenses and 60 Class 2 rectifying licenses issued in the State.

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## Additional Information

**Prior Introductions:** HB 616 of 2016, a similar bill, passed the House as amended and the Senate as amended. Although a conference committee was appointed, the differences were not reconciled.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 2, 2017  
mm/tso Third Reader - March 10, 2017

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