

**Department of Legislative Services**  
Maryland General Assembly  
2018 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 839 (Senator Smith)  
Education, Health, and Environmental Affairs

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**Alcoholic Beverages – Class 7 Limited Beer Wholesaler’s License – Production  
and Distribution Limits**

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This bill increases the amount of beer that a brewery may produce while remaining eligible to obtain a Class 7 limited beer wholesaler’s license from 22,500 barrels per year to 300,000 barrels per year. The bill also increases the amount of its own beer that a brewery may distribute using a Class 7 limited beer wholesaler’s license from 3,000 barrels per year to any amount of beer.

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**Fiscal Summary**

**State Effect:** The bill does not materially affect State operations or finances.

**Local Effect:** The bill does not directly affect local government operations or finances.

**Small Business Effect:** Meaningful.

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**Analysis**

**Current Law:** Alcoholic beverages in the State are regulated through a three tier distribution system. The system separates ownership and operations among (1) manufacturers; (2) wholesalers; and (3) retailers. The system authorizes manufacturers (tier one) to sell only to wholesalers (tier two); wholesalers only to retailers (tier three); and retailers only to consumers; however, there are some statutory exceptions.

For example, a Class 5 brewery, Class 7 micro-brewery, or Class 8 farm brewery is authorized to distribute up to 3,000 barrels of its own beer each year if it obtains a Class 7 limited beer wholesaler’s license. A brewery may only be issued the license if it produces

no more than 22,500 barrels of beer annually. The license authorizes the brewery to sell and deliver its own produced beer to the holder of a retail license or permit that is authorized to acquire beer from a wholesaler. The annual license fee is \$50.

Brewers (beer manufacturers) in Maryland are required to obtain one of four types of State licenses: a Class 5 brewery license; a Class 6 pub-brewery license; a Class 7 micro-brewery license; or a Class 8 farm brewery license. Each license is issued by the Comptroller for an annual fee of \$200 or \$500 depending on license class. Each class of license specifies the amount of beer that may be brewed each year, the type of location that may be licensed, and the manner in which beer may be sold.

**Background:** In February 2018, there were (1) 41 Class 5 breweries; (2) 29 Class 7 micro-breweries; and (3) 20 Class 8 farm breweries. In that same month, 64 of these breweries had Class 7 limited beer wholesaler's licenses.

**Small Business Effect:** A small business brewery can directly distribute significantly more of its own beer using a Class 7 limited beer wholesaler's license, which likely results in increased revenues for the brewery since more beer could be sold without first being sold to distributors at wholesale prices. Small business distributors experience a corresponding decrease in revenues from the lost sales.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1015 (Delegates Cullison and Luedtke) - Economic Matters.

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

**Fiscal Note History:** First Reader - February 18, 2018  
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