## **HOUSE BILL 1010**

A1 9lr1860 CF SB 801

By: Delegates Atterbeary, Brooks, Anderton, Boteler, Bridges, Buckel, Carr, Cassilly, Chang, Charles, Corderman, Cullison, W. Fisher, Ghrist, Gilchrist, Grammer, Hornberger, Ivey, Jackson, Kelly, Kerr, Krimm, J. Lewis, Lierman, Lisanti, Lopez, Luedtke, Moon, Mosby, Palakovich Carr, Pippy, Queen, Reilly, Reznik, Saab, Shetty, Shoemaker, Smith, Solomon, Stewart, Szeliga, Valderrama, Washington, Wilkins, K. Young, and P. Young

Introduced and read first time: February 8, 2019

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 15, 2019

CHAPTER

1 AN ACT concerning

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### **Brewery Modernization Act of 2019**

FOR the purpose of authorizing a holder of a Class 5 brewery license, under certain circumstances, to serve samples of beer and sell beer for off-premises consumption at the location described in the license; authorizing the holder to brew and bottle malt beverages at a location listed on an individual storage permit; requiring a local licensing board to grant an on-site consumption permit to an applicant that holds a Class 5 brewery license or a Class D beer license or its equivalent; authorizing a local licensing board to conditionally grant an applicant an on-site consumption permit or a Class D beer license that will become effective after the applicant meets certain requirements; specifying that a Class D beer license entitles the holder to sell beer that is fermented and brewed at a certain location; altering the amount of beer that a holder of a Class 5 brewery license may sell annually for on-premises consumption; repealing certain provisions of law that allow a holder of a Class 5 brewery license to sell a certain amount of beer under certain circumstances; repealing certain provisions of law concerning hours of sale and specifying the hours of sale for any holder of a Class 5 brewery license with an on-site consumption permit and a Class D license or equivalent license; specifying that certain hours of sale do not apply to transferees of certain licenses; authorizing a holder of a Class 7 micro-brewery license to hold an additional Class 7 micro-brewery license under certain

#### EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

<u>Underlining</u> indicates amendments to bill.

Strike out indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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circumstances; altering the amount of malt beverages that a holder of a Class 7 micro-brewery license may brew, bottle, or contract for each calendar year; authorizing a holder of a Class 7 micro-brewery license to be granted a Class 7 limited beer wholesaler's license; altering the amount of beer a Class 7 micro-brewery license holder may sell at retail each calendar year; altering the location where a holder of a Class 8 farm brewery license may store beer produced by the license holder; authorizing a holder of a Class 8 farm brewery license to store, brew, and bottle beer in a certain facility; authorizing a holder of a Class 8 farm brewery license to exercise certain privileges, sponsor certain activities, and store certain products at a certain location; altering the hours during which a holder of a Class 8 farm brewery license may exercise the privileges of the license; altering the amount of beer that the holder of a Class 5 manufacturer's license or a Class 7 micro-brewery license may distribute under a Class 7 limited beer wholesaler's license; requiring, instead of authorizing, the Comptroller to include certain information in a certain report; requiring the Comptroller to report to certain entities certain information regarding beer production; requiring certain license holders to report certain information to the Comptroller; requiring the Comptroller to include certain information in a certain annual report; and generally relating to Class 5 brewery licenses, Class 7 micro-brewery licenses, and Class 8 farm brewery licenses, and Class 7 limited beer wholesaler's licenses.

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    BY repealing and reenacting, with amendments,
22
           Article – Alcoholic Beverages
23
           Section 2–207, 2–209, <del>and</del> 2–210, and 2–311(b)(3)
24
           Annotated Code of Maryland
25
           (2016 Volume and 2018 Supplement)
26
    BY repealing and reenacting, without amendments,
27
           Article – Alcoholic Beverages
28
           Section 2–208(a)
29
           Annotated Code of Maryland
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(2016 Volume and 2018 Supplement)

31 BY adding to

32 Article – Alcoholic Beverages

Section 2–208(i) 33

Annotated Code of Maryland 34

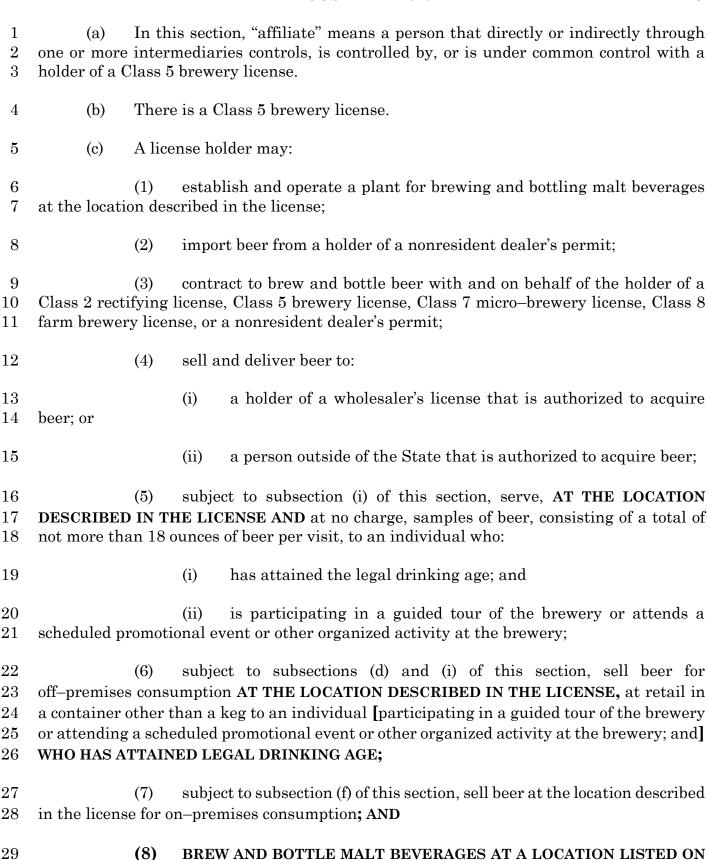
35 (2016 Volume and 2018 Supplement)

36 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

37 That the Laws of Maryland read as follows:

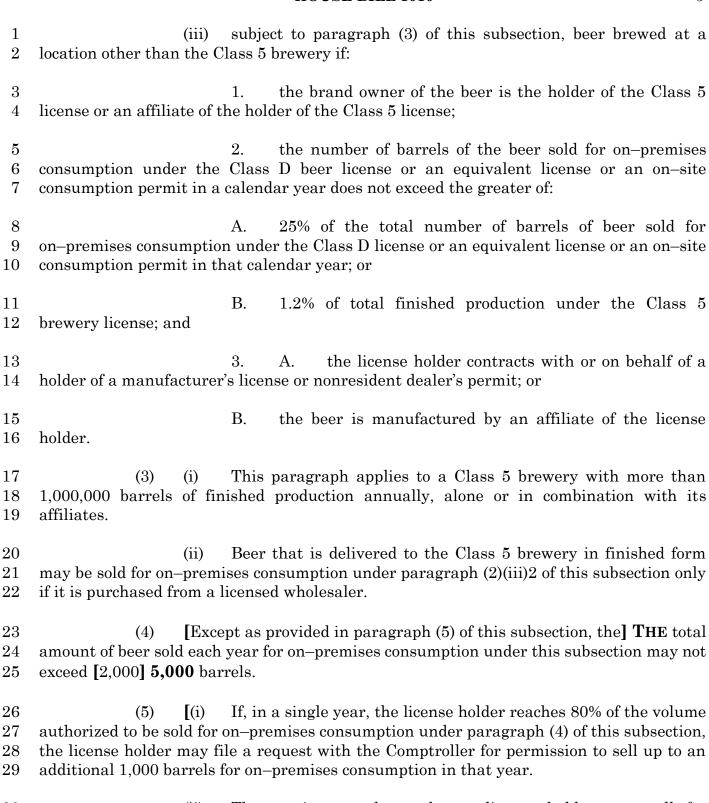
## Article - Alcoholic Beverages

39 2-207.



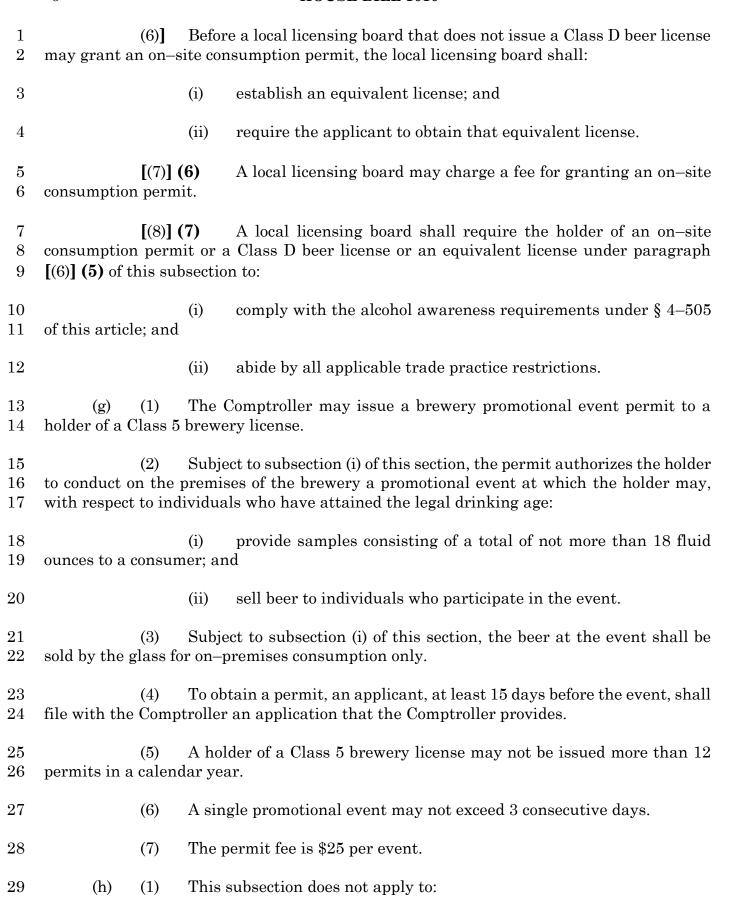
30 A PERMIT ISSUED TO THE LICENSED LICENSE HOLDER IN ACCORDANCE WITH § 31 2–113 OF THIS TITLE.

$\frac{1}{2}$	(d) individual:	An in	ıdividu	al may	purchase beer under subsection (c)(6) of this section if the
3		(1)	purch	ases n	ot more than 288 ounces of beer per visit; and
4		(2)	has a	ttaineo	d the legal drinking age.
5	(e)	The a	nnual	license	e fee is \$1,500.
6 7 8				n appl	cal licensing board <b>[</b> may <b>] SHALL</b> grant an on–site licant that holds a Class 5 brewery license and, subject to ection, a Class D beer license.
9 10 11	APPLICANT			ONAL	REQUEST, A LOCAL LICENSING BOARD MAY GRANT AN ON-SITE CONSUMPTION PERMIT OR A CONDITIONAL
$\frac{12}{13}$	SHALL BEC	OME I	(III) EFFEC		CONDITIONAL PERMIT OR CONDITIONAL LICENSE FEET THE APPLICANT:
14 15	THE U.S. D	EPAR	TMEN'	<u>1.</u> гог Т	FILES A COMPLETED BREWER'S NOTICE FORM WITH 'REASURY;
16				<u>2.</u>	OBTAINS A CLASS 5 BREWERY LICENSE; AND
17 18	THAT THE I	LOCAL	LICE	3. NSING	FULFILLS ANY OTHER OBLIGATION REQUIRED BY LAW BOARD IDENTIFIES.
19 20 21 22	subsection e	entitles	s D bee s the h	r licen older t	the maximum volume limit under paragraph (4) of this se or an equivalent license under paragraph [(6)] (5) of this o sell to an individual who has attained the legal drinking ion at the brewery:
23			(i)	beer:	
24 25	owner; and			1.	of which the holder of the Class 5 license is the brand
26 27 28	the license is SECTION;	holder	] BY T	2. HE LIC	that is fermented and brewed entirely [at the brewery of CENSE HOLDER AT A LOCATION AUTHORIZED BY THIS
29 30	contract wit	h a bra	(ii) and ow		that is fermented and brewed entirely at the brewery under no does not possess a Class 5 license; and



30 (ii) The maximum volume that a license holder may sell for 31 on–premises consumption in a single year is 3,000 barrels.

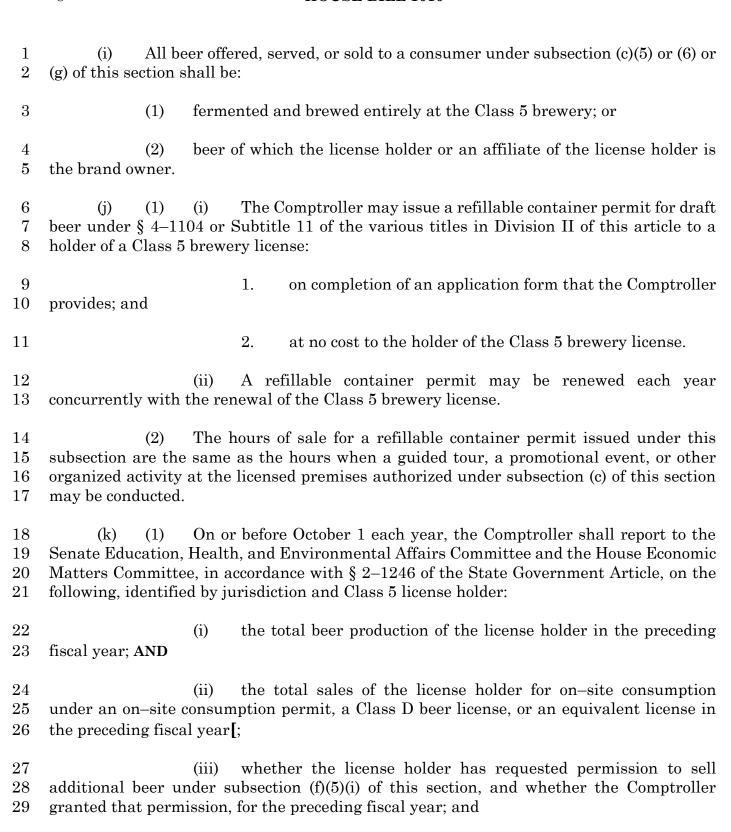
32 (iii) Any beer that the license holder sells for on-premises 33 consumption in excess of the 2,000-barrel limit under paragraph (4) of this subsection shall 34 be purchased from a licensed wholesaler.



1 2 3	(i) Ithe holder of a Class 5 brewery license that held an on-site consumption permit and a Class D license or an equivalent license on or before April 1, 2017 AND ANY TRANSFEREE OF THOSE LICENSES;
4 5 6	(ii) an individual who held a minority interest in an on-site consumption permit and a Class D license or an equivalent license on or before April 1, 2017, and then obtains by transfer a majority interest in the same license or permit;
7 8	(iii) a location in the State for which a completed brewer's notice form was filed with the U. S. Department of Treasury on or before April 1, 2017;
9 10	(iv) $\frac{1}{2}$ a promotional event conducted under subsection (g) of this section; and
11	<b>{</b> (v) <b>} (II)</b> a guided tour during which:
12 13	1. samples of beer are served under subsection (c)(5) of this section; or
14 15	2. beer is sold for off–premises consumption under subsection (c)(6) of this section.
16	₹(2) This subsection applies to:
17	(i) a holder of a Class 5 brewery license who:
18 19	1. after April 1, 2017, obtains an on–site consumption permit and a Class D beer license or equivalent license for on–premises consumption; or
20 21 22 23	2. not holding a minority interest in an on–site consumption permit and a Class D license or an equivalent license on or before April 1, 2017, obtains a majority interest by transfer in an on–site consumption permit and a Class D license or an equivalent license; and
24 25 26	(ii) notwithstanding paragraph (1)(iii) of this subsection, a manufacturer of beer with more than 1,000,000 barrels of finished production annually alone or in combination with its affiliates.
27 28 29	(3) Notwithstanding any provision in Division II of this article, the sales and serving privileges of an on–site consumption permit and a Class D license or an equivalent license may be exercised only from 10 a.m. to 10 p.m. Monday through Sunday.
30	(2) A HOLDER OF A CLASS 5 BREWERY LICENSE WITH AN ON-SITE
31	CONSUMPTION PERMIT AND A CLASS D LICENSE OR AN EQUIVALENT LICENSE MAY
32	SERVE OR SELL BEER FOR ON-PREMISES CONSUMPTION DURING THE HOURS
33	SPECIFIED IN THE LICENSE AT THE LOCATION DESCRIBED IN THE CLASS D LICENSE.

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32 (2) Each holder of a Class 5 license shall report to the Comptroller the 33 information needed to prepare the annual report under this subsection.

(iv)

subsection (f)(5)(i) of this section in the preceding fiscal year].

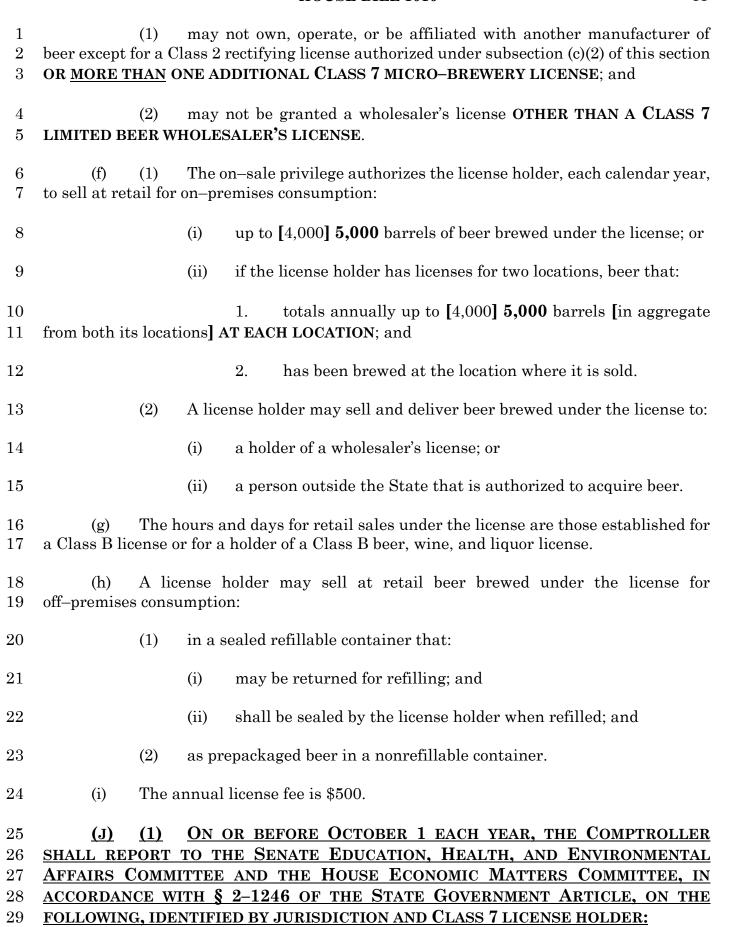
the total sales of the license holder of additional beer under

- 1 (3)The Comptroller may SHALL include the information reported under 2 this subsection in the annual report submitted under § 1–306 of this article. 2-208.3 4 (a) There is a Class 6 pub-brewery license. ON OR BEFORE OCTOBER 1 EACH YEAR, THE COMPTROLLER 5 **(I) (1)** SHALL REPORT TO THE SENATE EDUCATION, HEALTH, AND ENVIRONMENTAL 6 7 AFFAIRS COMMITTEE AND THE HOUSE ECONOMIC MATTERS COMMITTEE, IN 8 ACCORDANCE WITH § 2–1246 OF THE STATE GOVERNMENT ARTICLE, THE TOTAL 9 BEER PRODUCTION OF EACH CLASS 6 LICENSE HOLDER IN THE PRECEDING FISCAL YEAR, IDENTIFIED BY JURISDICTION AND LICENSE HOLDER. 10 11 **(2)** EACH HOLDER OF A CLASS 6 LICENSE SHALL REPORT TO THE 12 COMPTROLLER THE INFORMATION NEEDED TO PREPARE THE ANNUAL REPORT 13 REQUIRED UNDER THIS SUBSECTION. 14 **(3)** THE COMPTROLLER SHALL INCLUDE THE INFORMATION 15 REPORTED UNDER THIS SUBSECTION IN THE ANNUAL REPORT SUBMITTED UNDER § 1-306 OF THIS ARTICLE. 16 17 2-209.18 (a) There is a Class 7 micro-brewery license. 19 Except as provided in Division II of this article, the license may be issued only 20 to the holder of a Class B beer, wine, and liquor (on-sale) license that is issued for use on 21 the premises of a restaurant. A license holder may: 22(c) 23 (1) brew and bottle malt beverages at the location described in the license; 24obtain a Class 2 rectifying license for a premises located within 1 mile (2)25of the existing Class 7 micro-brewery location to bottle malt beverages brewed at the 26 micro-brewery location only; 27 contract to brew and bottle malt beverages with and on behalf of the 28 holder of a Class 2 rectifying license, Class 5 brewery license, Class 7 micro-brewery
- 30 (4) store the finished product under an individual storage permit or at a 31 licensed public storage facility for subsequent sale and delivery:

license, Class 8 farm brewery license, or a nonresident dealer's permit;

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1	(i) to a holder of a wholesaler's license;
2	(ii) to an authorized person outside the State; or
3 4	(iii) for shipment back to the micro-brewery location for sale on the retail premises; [and]
5 6 7	(5) enter into a temporary delivery agreement with a distributor only for delivery of beer to a beer festival or a wine and beer festival, and the return of any unused beer, if:
8 9 10	(i) the festival is in a sales territory for which the license holder does not have a franchise with a distributor under the Beer Franchise Fair Dealing Act in Title 5, Subtitle 1 of this article; and
11	(ii) the temporary delivery agreement is in writing;
12 13 14	(6) HOLD AN ADDITIONAL CLASS 7 MICRO-BREWERY LICENSE PROVIDED THAT BOTH LICENSES REMAIN SUBJECT TO THE PRODUCTION LIMITS OF SUBSECTION (D) OF THIS SECTION; AND
15 16 17	(7) SUBJECT TO SUBSECTION (D) OF THIS SECTION, BREW AND BOTTLE MALT BEVERAGES AT A LOCATION LISTED ON A PERMIT ISSUED IN ACCORDANCE WITH § 2–113 OF THIS TITLE.
18 19 20	(d) (1) Subject to paragraph (2) of this subsection, a license holder may not collectively brew, bottle, or contract for more than [22,500] <b>45,000</b> barrels of malt beverages each calendar year.
21 22 23	(2) <b>\{</b> (i) <b>\}</b> In determining the barrelage limitation under paragraph (1) of this subsection, any salable beer produced under a contractual arrangement accrues only to the license holder that owns the brand.
$24 \\ 25$	₹(ii) A license holder that wishes to produce more than the barrelage authorized under paragraph (1) of this subsection shall:
26	1. divest itself of any retail license; and
27	2. obtain a Class 5 brewery license.
28 29 30	(3) A license holder that has licenses for two locations may not collectively brew, bottle, or contract for more than [22,500] <b>45,000</b> barrels of malt beverages in aggregate from both of its locations each calendar year.
31	(e) A license holder:



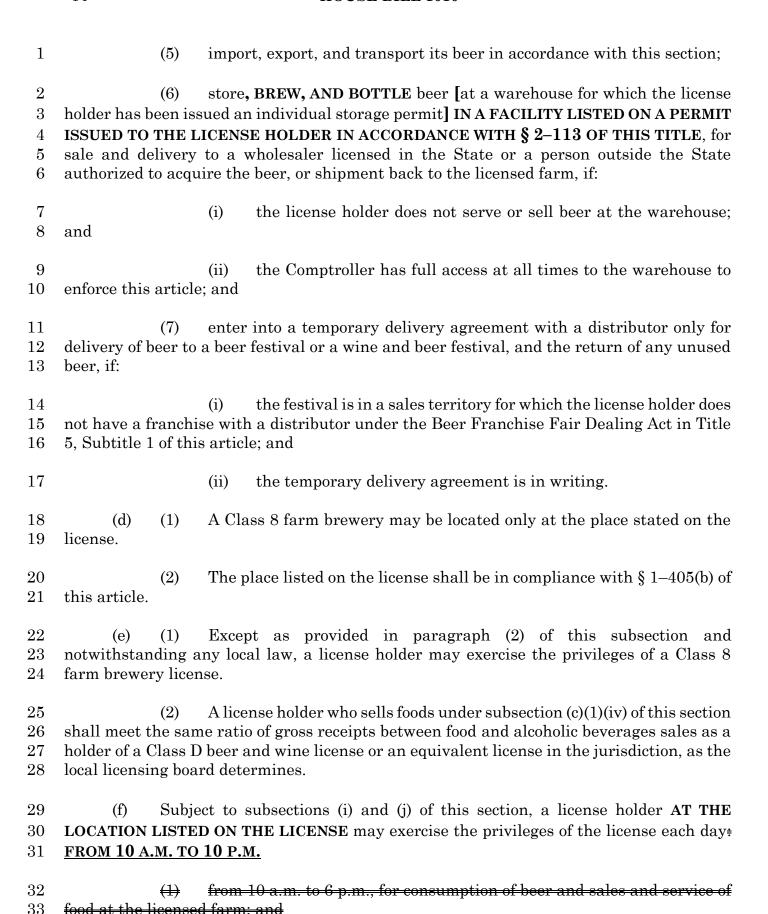
$\frac{1}{2}$	(I) THE TOTAL BEER PRODUCTION OF THE LICENSE HOLDER IN THE PRECEDING FISCAL YEAR; AND				
3 4	(II) THE TOTAL SALES OF THE LICENSE HOLDER FOR ON-SITE CONSUMPTION.				
5 6 7	(2) EACH HOLDER OF A CLASS 7 LICENSE SHALL REPORT TO THE COMPTROLLER THE INFORMATION NEEDED TO PREPARE THE ANNUAL REPORT REQUIRED UNDER THIS SUBSECTION.				
8 9 10	(3) THE COMPTROLLER SHALL INCLUDE THE INFORMATION REPORTED UNDER THIS SUBSECTION IN THE ANNUAL REPORT SUBMITTED UNDER § 1–306 OF THIS ARTICLE.				
11	2–210.				
12	(a) There is a Class 8 farm brewery license.				
13 14 15	(b) (1) Subject to paragraph (2) of this subsection, a license holder may sell and deliver beer manufactured in a facility on the licensed farm or in a facility other than one on the licensed farm to:				
16	(i) a wholesaler licensed to sell and deliver beer in the State; or				
17	(ii) a person in another state authorized to acquire beer.				
18 19 20	(2) The beer to be sold and delivered under paragraph (1) of this subsection shall be manufactured with an ingredient from a Maryland agricultural product, including hops, grain, and fruit, produced on the licensed farm.				
21	(c) A license holder may:				
22 23	(1) (i) sell beer produced by the license holder for on-premises consumption;				
24 25	(ii) in an amount not exceeding 6 fluid ounces per brand, provide samples of beer that the license holder produces to a consumer:				
26	1. at no charge; or				
27	2. for a fee;				
28	(iii) sell or serve:				
29	<ol> <li>bread and other baked goods;</li> </ol>				

1		2.	chili;	
2		3.	chocolate;	
3		4.	crackers;	
4		5.	cured meat;	
5		6.	fruits (whole and cut);	
6		7.	hard and soft cheese (whole and cut);	
7		8.	salads and vegetables (whole and cut);	
8		9.	ice cream;	
9		10.	jam;	
10		11.	jelly;	
11		12.	vinegar;	
12		13.	pizza;	
13 14	ready to be eaten;	14.	prepackaged sandwiches and other prepackaged foods	
15		15.	soup; and	
16		16.	condiments; and	
17 18 19	if the license holder is licensed to operate a food establishment under Title 21, Subtitle 3 of			
20 21 22 23	Comptroller, beer produced [at the licensed farm] BY THE LICENSE HOLDER for sale and delivery to a wholesaler licensed in the State or a person outside the State authorized to			
$\frac{24}{25}$				
26	(4) contract with the holder of a Class 2 rectifying license, a Class 5			

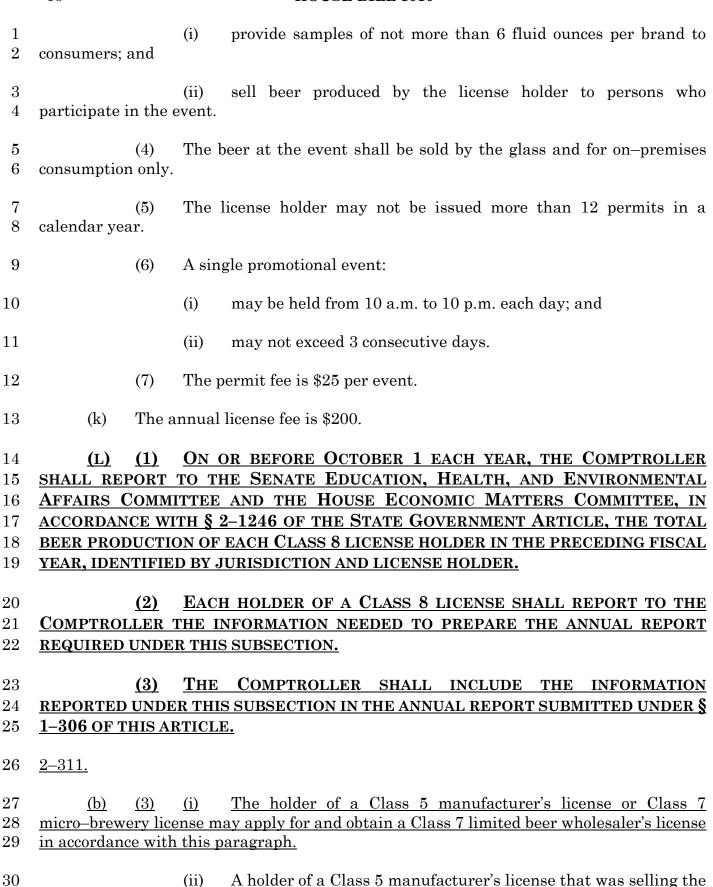
brewery license, or a Class 7 micro-brewery license to brew and bottle beer from

ingredients produced on the licensed farm;

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1	<del>(2)</del>	from 10 a.m. to 10 p.m., for:
2		(i) sampling of beer;
3 4	<del>in sealed or reseal</del>	(ii) consumption of beer off the licensed farm if the beer is packaged able containers, such as growlers; and
5 6	organized activity	(iii) guests who attend a planned promotional event or other at the licensed farm.
7 8	·-·	ot as provided in Division II of this article, a Class 8 farm brewery license holder to operate 7 days a week.
9 10	` '	ing in this section limits the application of relevant provisions of Title 21 neral Article, and regulations adopted under that title, to a license holder.
11 12	(i) (1) farm] LOCATION	A license holder may sponsor a multibrewery activity at the [licensed ISSUED ON THE LICENSE that:
13		(i) includes the products of other Maryland breweries; and
14 15	consumption only.	(ii) provides for the sale of beer by the glass for on-premises
16 17 18	_	In a segregated area approved by the Comptroller [on the licensed <b>DCATION LISTED ON THE LICENSE</b> , a license holder may store the Maryland breweries for the multibrewery activity.
19	(3)	The multibrewery activity:
20		(i) may be held from 10 a.m. to 10 p.m. each day; and
21		(ii) may not exceed 3 consecutive days.
22 23	(j) (1) license holder.	The Comptroller may issue a brewery promotional event permit to a
24 25 26		At least 15 days before holding a planned promotional event, the license a permit from the Comptroller by filing a notice of the promotional event ne Comptroller provides.
27 28 29	(3) farm] LOCATION holder may:	The permit authorizes the license holder to conduct at the [licensed LISTED ON THE LICENSE a promotional event at which the license



holder's own beer at wholesale in the State as of January 1, 2013, may obtain a Class 7

(ii)

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limited beer wholesaler's license to continue to sell the holder's own beer at wholesale in

2	the same location in an amount that is not more than [3,000] 5,000 barrels annually.					
3 4 5 6	aggregate from all its locations not more than 22,500 barrels of beer annually may obtain a Class 7 limited beer wholesaler's license and distribute not more than [3,000] 5,000					
7 8 9	(iv) A holder of one or two Class 7 micro-brewery licenses that produces in aggregate from all of its locations not more than 22,500 barrels of beer annually may obtain a Class 7 limited beer wholesaler's license and distribute beer that:					
10 11	1. totals annually not more than [3,000] <b>5,000</b> barrels in aggregate from all of its locations; and					
12 13	<u>2.</u> <u>has been brewed at the location from where it is distributed.</u>					
14 15	SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2019.					
	A 1					
	Approved:					
	Governor.					
	Speaker of the House of Delegates.					
	President of the Senate.					