

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 550

Economic Matters

(Delegates Watson and Brooks)

Education, Health, and Environmental Affairs

Alcoholic Beverages - Manufacturer's Licenses and Off-Site Permits - Sunset Extension

This bill extends the termination date of provisions of Chapters 359 and 360 of 2021 related to the sale and delivery of alcoholic beverages by certain alcoholic beverages manufacturers from December 31, 2022, to June 30, 2023. The bill also repeals the termination date of provisions of Chapters 359 and 360 related to alcoholic beverages manufacturers event permits, fees, and production limits. The bill also limits the sale of beer at authorized events by specified beer manufacturers to up to 288 ounces of beer sold to each consumer for off-premises consumption. **The bill takes effect July 1, 2022; however, provisions related to limits on the sale of beer at authorized events take effect July 1, 2023.**

Fiscal Summary

State Effect: Minimal general fund revenues and expenditures for the Alcohol and Tobacco Commission (ATC) are maintained beyond the original December 31, 2022 termination date of Chapters 359 and 360 of 2021.

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

Small Business Effect: Meaningful.

Analysis

Current Law: Alcoholic beverages manufacturer's licenses are issued and regulated at the State level by ATC. Each of the nine types of manufacturer's licenses confer different privileges related to the type of alcoholic beverage that may be produced (beer, wine, or

liquor), how much may be produced each year, and whether the alcoholic beverages can be sold for on- or off-premises consumption. For example, a Class 1 distillery license and Class 2 limited distillery license allow the production and sale of liquor, while a Class 3 winery license and Class 4 limited winery license allow the production and sale of wine.

Other special permits exist that can be applied for and obtained by specified manufacturers to, among other things, sell and deliver some of the manufacturer's product directly at wholesale. Additionally, manufacturers are also authorized to obtain certain permits from ATC to attend special events, such as farmer's markets and festivals, to advertise, sell, or serve their manufactured products.

Chapters 359 and 360 made various changes to the regulation of these entities; however, the changes terminate December 31, 2022. Broadly, Chapters 359 and 360:

- repealed differing permits that allowed manufacturers to attend and participate in special events and, instead, established a manufacturer's off-site permit and a brewery special event permit;
- altered the fee structure for most manufacturer's licenses by allowing ATC to set the fees and establishing the previous statutory fees as the maximum amount that the fee may be set;
- authorized most manufacturers to sell and deliver their own alcoholic beverages products directly to customers if specified procedures are followed;
- altered the limitations of the Class 7 limited beer wholesaler's license to allow certain beer manufacturers to sell some of their own beer at wholesale;
- altered the privileges associated with Class 1 distillery licenses to allow additional sampling and product sales to consumers that visit the distillery; and
- altered the privileges associated with Class 8 farm-brewery licenses to allow the sale of alcoholic beverages for off-premises consumption.

Small Business Effect: Extension and repeal of various aspects of Chapters 359 and 360 continues to allow a small business alcoholic beverages manufacturer to obtain various permits to increase its business. Additionally, the extension continues to allow a small business manufacturer to deliver its own alcoholic beverages products, which likely results in increased sales.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 476 (Senator Hester, *et al.*) - Education, Health, and Environmental Affairs.

Information Source(s): Alcohol and Tobacco Commission; Harford and Montgomery counties; Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2022

fnu2/tso Third Reader - March 19, 2022

Revised - Amendment(s) - March 19, 2022

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