

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 431
Finance

(Washington County Senators)

Economic Matters

Alcoholic Beverages - Class 9 Limited Distillery License - Self-Distribution

This bill authorizes a holder of a Class 9 limited distillery to apply for and obtain a Class 8 liquor wholesaler’s license which allows the holder to sell and deliver their own liquor to a retail license holder or permit holder authorized to acquire liquor from a wholesaler, as specified. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund revenues increase minimally beginning in FY 2024, for each Class 8 liquor wholesaler’s license issued under the bill, as discussed below. The Alcohol and Tobacco Commission (ATC) can monitor additional licenses with existing budgeted resources.

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

Small Business Effect: Meaningful.

Analysis

Current Law: A Class 9 limited distillery license may be issued only to a holder of a Class D or Class B beer, wine, and liquor license for use on the premises for which the Class D or B license was issued. The limited distillery license authorizes the holder to distill, rectify, and bottle brandy, rum, whiskey, alcohol, and neutral spirits, acquire bulk alcoholic beverages, store the manufactured products, sell to licensed wholesalers or authorized out-of-state entities, sell at retail, conduct guided tours, and serve samples to tour participants. The holder may not possess a wholesaler’s license, sell bottled products on the distillery premises, exceed 100,000 gallons of production per year, sell more than

31,000 gallons of products at retail, or be affiliated with another manufacturer. To produce more than 100,000 gallons, the holder must divest the Class D or B retail license and obtain a Class 1 distillery license. The holder must abide by trade practice restrictions and pay an annual fee of \$500.

A Class 8 liquor wholesaler's license holder may be issued only to a person that holds a Class 1 distillery license and produces in the aggregate from all of its locations not more than 100,000 gallons of liquor annually. A license holder may sell and deliver its own liquor produced at the license holder's premises to a holder of a retail license that is authorized to acquire liquor from a wholesaler; and a holder of a permit that is authorized to acquire liquor from a wholesaler. However, the holder may not distribute more than 27,500 gallons of its own liquor annually. The annual license fee is \$100. The license holder may use an additional location for the warehousing, sale, and delivery of liquor, as specified.

State Fiscal Effect: ATC advises there are currently six Class 9 limited distillery licenses in the State. If all six license holders obtain a Class 8 liquor wholesaler's license under the bill, general fund revenues increase by \$1,800 in fiscal 2024, and \$780 annually thereafter from license, application, and renewal fees. This estimate reflects an annual license fee of \$100 for each Class 8 liquor wholesaler's license as well as an initial application fee of \$200 for each license. License renewal fees are \$30 annually in subsequent years.

Small Business Effect: Revenues may increase significantly for small business holders of a Class 9 limited distillery license that obtain a Class 8 liquor wholesaler's license under the bill. Conversely, authorizing the holders of a Class 9 limited distillery license to directly ship their alcoholic beverages after obtaining a Class 8 liquor wholesaler's license could negatively impact the revenues of small business wholesalers and retailers in the State as their ability to sell certain products would be centralized with the holder of the Class 8 liquor wholesaler's license.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 565 (Washington County Delegation) - Economic Matters.

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

Fiscal Note History:
km/tso

First Reader - February 16, 2023
Third Reader - March 29, 2023
Revised - Amendment(s) - March 29, 2023
Enrolled - April 26, 2023
Revised - Amendment(s) - April 26, 2023

Analysis by: Donavan A. Ham

Direct Inquiries to:
(410) 946-5510
(301) 970-5510