

**Department of Legislative Services**  
Maryland General Assembly  
2023 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

House Bill 565  
Economic Matters

(Washington County Delegation)

Finance

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

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This bill authorizes a holder of a Class 9 limited distillery to apply for and obtain a Class 8 liquor wholesaler’s license, as specified. **The bill takes effect July 1, 2023.**

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**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.

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**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.

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### **Additional Information**

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

**Designated Cross File:** SB 431 (Washington County Senators) - Finance.

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

**Fiscal Note History:** First Reader - February 16, 2023  
rh/tso Third Reader - March 28, 2023  
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