

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 595
Economic Matters

(Delegate Qi)

Finance

Alcoholic Beverages - Manufacturer's Licenses - Direct Shipments

This bill, through uncodified language, authorizes holders of specified alcoholic beverages manufacturer's licenses that received authorization from the Alcohol and Tobacco Commission (ATC) by February 1, 2023, to continue to sell and deliver products produced under the holder's license to an individual located in the State in accordance with § 2-219 of the Alcoholic Beverages Article, as specified. **The bill takes effect upon the termination of Chapters 359 and 360 of 2021, as amended by Chapters 477 and 478 of 2022, and terminates June 30, 2024.**

Fiscal Summary

State Effect: Minimal general fund revenues and expenditures for ATC are maintained beyond the amended June 30, 2023 termination date.

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

Small Business Effect: Meaningful.

Analysis

Bill Summary: Under the bill, holders of specified manufacturer's licenses may sell and deliver a product produced under the holder's license to an individual located within the State if:

- the delivery is made by an employee who is at least 18 years old and certified by an approved alcohol awareness program;

- the purchaser, or another individual at least 21 years old designated by the purchaser, is physically present to receive the alcoholic beverages at the time and place of delivery;
- the purchaser pays for the purchase at the time of the order; and
- the deliverer and the individual receiving the delivery each endorse a delivery form that ATC approves at the time of delivery certifying that (1) the individual receiving the delivery claimed to be at least 21 years old and the claim was supported by documentary evidence; (2) the individual receiving the delivery knew that it is a criminal offense for alcoholic beverages to be given to an individual under the age of 21; and (3) the deliverer examined the recipient's identification.

A holder of a manufacturer's license may not directly ship to a consumer during a calendar year more than: (1) the equivalent of 18 standard size 750 milliliter bottles of liquor or (2) 3,456 ounces of beer.

The bill requires that by December 1, 2023, and by June 1, 2024, each holder of a manufacturer's license that has sold and delivered a product produced under the holder's license to an individual located in the State in accordance with the bill, must submit a report to ATC including the amount of liquor or beer shipped and delivered to individuals in the State, as specified.

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 and these changes originally were to terminate December 31, 2022; however, this termination date was extended to June 30, 2023, by Chapters 477 and 478. 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.

Chapters 477 and 478, in addition to other changes, limited the sale of beer at authorized events by specified beer manufacturers to up to 288 ounces of beer per customer for off-premises consumption at an approved off-site permitted event effective July 1, 2023.

Small Business Effect: Under the bill, small businesses that hold specified manufacturer’s licenses benefit from being able to continue to sell and deliver their own alcoholic beverages products, as specified, which likely results in increased sales.

Additional Information

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

Designated Cross File: SB 448 (Senators Gile and Hester) - Finance.

Information Source(s): Caroline, Howard, and Prince George’s counties; Alcohol and Tobacco Commission; Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2023
 km/tso Third Reader - April 7, 2023
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Analysis by: Donovan A. Ham

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