

Chapter 1041

(House Bill 1377)

AN ACT concerning

Frederick County – Alcoholic Beverages – Brewery and Distillery Licenses

FOR the purpose of establishing in Frederick County a Class DBR brewery license and a Class DDS distillery ~~license~~ permit; authorizing the Board of License Commissioners for Frederick County to issue to the holder of a certain brewery license a Class DBR license, which authorizes the holder to sell certain amounts of beer for on–premises consumption; authorizing the Board of License Commissioners for Frederick County to issue to the holder of a certain distillery license a Class DDS ~~license~~ permit, which authorizes the holder to sell certain amounts of alcoholic beverages for on–premises consumption; and generally relating to brewery and distillery licenses in Frederick County.

BY repealing and reenacting, without amendments,
 Article – Alcoholic Beverages and Cannabis
 Section 2–202(a), (e), and (i), 2–207(b), (f), and (g), and 20–102
 Annotated Code of Maryland
 (2016 Volume and 2023 Supplement)

BY repealing and reenacting, with amendments,
 Article – Alcoholic Beverages and Cannabis
 Section 20–401
 Annotated Code of Maryland
 (2016 Volume and 2023 Supplement)

BY adding to
 Article – Alcoholic Beverages and Cannabis
 Section 20–407 and 20–408
 Annotated Code of Maryland
 (2016 Volume and 2023 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
 That the Laws of Maryland read as follows:

Article – Alcoholic Beverages and Cannabis

2–202.

(a) There is a Class 1 distillery license.

(e) Subject to subsection (f) of this section, a license holder may conduct the activities specified in subsections (c)(5) and (i)(2) of this section from 10 a.m. to 10 p.m. each day.

(i) (1) A local licensing board may grant an on-site consumption permit for use at the location of the Class 1 distillery license to a holder of a Class 1 distillery license.

(2) (i) The permit authorizes the holder to sell mixed drinks made from liquor that the holder produces that is mixed with other nonalcoholic ingredients for on-premises consumption.

(ii) The holder may not use more than an aggregate of 7,750 gallons annually of liquor the holder produces for mixed drinks sold under subparagraph (i) of this paragraph.

(3) A local licensing board:

(i) may establish and charge a permit fee; and

(ii) shall require the permit holder to:

1. comply with the alcohol awareness requirements under § 4-505 of this article; and

2. abide by all applicable trade practice restrictions.

2-207.

(b) There is a Class 5 brewery license.

(f) (1) (i) A local licensing board may grant an on-site consumption permit to an applicant that holds a Class 5 brewery license and, subject to paragraph (5) of this subsection, a Class D beer license.

(ii) On request, a local licensing board may grant an applicant a conditional on-site consumption permit or a conditional Class D beer license.

(iii) The conditional permit or conditional license shall become effective after the applicant:

1. files a completed brewer's notice form with the U.S. Department of Treasury;

2. obtains a Class 5 brewery license; and

3. fulfills any other obligation required by law that the local licensing board identifies.

(2) Subject to the maximum volume limit under paragraph (4) of this subsection, a Class D beer license or an equivalent license under paragraph (5) of this subsection entitles the holder to sell to an individual who has attained the legal drinking age, for on-premises consumption at the brewery:

(i) beer:

1. of which the holder of the Class 5 license is the brand owner; and

2. that is fermented and brewed entirely by the license holder at a location authorized by this section;

(ii) beer that is fermented and brewed entirely at the brewery under contract with a brand owner who does not possess a Class 5 license; and

(iii) subject to paragraph (3) of this subsection, beer brewed at a location other than the Class 5 brewery if:

1. the brand owner of the beer is the holder of the Class 5 license or an affiliate of the holder of the Class 5 license;

2. the number of barrels of the beer sold for on-premises consumption under the Class D beer license or an equivalent license or an on-site consumption permit in a calendar year does not exceed the greater of:

A. 25% of the total number of barrels of beer sold for on-premises consumption under the Class D license or an equivalent license or an on-site consumption permit in that calendar year; or

B. 1.2% of total finished production under the Class 5 brewery license; and

3. A. the license holder contracts with or on behalf of a holder of a manufacturer's license or nonresident dealer's permit; or

B. the beer is manufactured by an affiliate of the license holder.

(3) (i) This paragraph applies to a Class 5 brewery with more than 1,000,000 barrels of finished production annually, alone or in combination with its affiliates.

(ii) Beer that is delivered to the Class 5 brewery in finished form may be sold for on-premises consumption under paragraph (2)(iii)2 of this subsection only if it is purchased from a licensed wholesaler.

(4) The total amount of beer sold each year for on-premises consumption under this subsection may not exceed 5,000 barrels.

(5) Before a local licensing board that does not issue a Class D beer license may grant an on-site consumption permit, the local licensing board shall:

- (i) establish an equivalent license; and
- (ii) require the applicant to obtain that equivalent license.

(6) A local licensing board may charge a fee for granting an on-site consumption permit.

(7) A local licensing board shall require the holder of an on-site consumption permit or a Class D beer license or an equivalent license under paragraph (5) of this subsection to:

- (i) comply with the alcohol awareness requirements under § 4-505 of this article; and
- (ii) abide by all applicable trade practice restrictions.

(g) (1) This subsection does not apply to:

(i) the 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;

(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;

(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;

(iv) a permit issued under § 2-140 of this title; and

(v) a guided tour during which:

1. samples of beer are served under subsection (c)(5) of this section; or

2. beer is sold for off-premises consumption under subsection (c)(6) of this section.

(2) This subsection applies to:

(i) a holder of a Class 5 brewery license who:

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

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

(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.

(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.

20-102.

This title applies only in Frederick County.

20-401.

(a) The following sections of Title 2, Subtitle 2 (“Manufacturer’s Licenses”) of Division I of this article apply in the county without exception or variation:

(1) § 2-201 (“Issuance by Comptroller”);

(2) [§ 2-202 (“Class 1 distillery license”);

(3)] § 2-203 (“Class 9 limited distillery license”);

[(4) (3)] § 2-204 (“Class 2 rectifying license”);

[(5) § 2-207 (“Class 5 brewery license”);

(6) (4)] § 2-210 (“Class 8 farm brewery license”);

[(7) (5)] § 2-211 (“Residency requirement”);

[(8)] (6) § 2–212 (“Additional licenses”);

[(9)] (7) § 2–213 (“Additional fees”);

[(10)] (8) § 2–214 (“Sale or delivery restricted”);

[(11)] (9) § 2–215 (“Beer sale on credit to retail dealer prohibited”);

[(12)] (10) § 2–216 (“Interaction between manufacturing entities and retailers”);

[(13)] (11) § 2–217 (“Distribution of alcoholic beverages — Prohibited practices”); and

[(14)] (12) § 2–218 (“Restrictive agreements between producers and retailers — Prohibited”).

(b) The following sections of Title 2, Subtitle 2 (“Manufacturer’s Licenses”) of Division I of this article apply in the county:

(1) **§ 2–202 (“CLASS 1 DISTILLERY LICENSE”), SUBJECT TO § 20–408 OF THIS SUBTITLE;**

(2) § 2–205 (“Class 3 winery license”), subject to § 20–403 of this subtitle;

[(2)] (3) § 2–206 (“Class 4 limited winery license”), subject to § 20–404 of this subtitle;

(4) **§ 2–207 (“CLASS 5 BREWERY LICENSE”), SUBJECT TO § 20–407 OF THIS SUBTITLE;**

[(3)] (5) § 2–208 (“Class 6 pub–brewery license”), subject to § 20–405 of this subtitle; and

[(4)] (6) § 2–209 (“Class 7 micro–brewery license”), subject to § 20–406 of this subtitle.

20–407.

(A) **THERE IS A CLASS DBR LICENSE.**

(B) **THE LICENSE MAY BE ISSUED TO A HOLDER OF A CLASS 5 BREWERY LICENSE.**

(C) THE LICENSE SERVES AS THE ON-PREMISES CONSUMPTION PERMIT REQUIRED UNDER §§ 2-207(F) AND (G) OF THIS ARTICLE.

(D) THE LICENSE HOLDER MAY SELL:

(1) FOOD AND NONALCOHOLIC BEVERAGES; AND

(2) BEER BREWED AT THE BREWERY FOR ON- AND OFF-PREMISES CONSUMPTION TO THE EXTENT THE LICENSE HOLDER IS ALLOWED UNDER THE LICENSE HOLDER'S CLASS 5 BREWERY LICENSE.

(E) THE BOARD SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION AND TO SET THE ANNUAL LICENSE FEE.

20-408.

(A) THERE IS A CLASS DDS ~~LICENSE~~ PERMIT.

(B) THE ~~LICENSE~~ PERMIT MAY BE ISSUED TO A HOLDER OF A CLASS 1 DISTILLERY LICENSE.

(C) THE ~~LICENSE~~ PERMIT SERVES AS THE ON-PREMISES CONSUMPTION PERMIT REQUIRED UNDER §§ 2-202(E) AND (I) OF THIS ARTICLE.

(D) THE ~~LICENSE~~ PERMIT HOLDER MAY SELL:

(1) FOOD AND NONALCOHOLIC BEVERAGES; AND

(2) BRANDY, RUM, WHISKEY, ALCOHOL, AND NEUTRAL SPIRITS THAT ARE DISTILLED, RECTIFIED, BLENDED, AND BOTTLED AT THE DISTILLERY FOR ON- AND OFF-PREMISES CONSUMPTION TO THE EXTENT THE ~~LICENSE~~ PERMIT HOLDER IS ALLOWED UNDER THE LICENSE HOLDER'S CLASS 1 DISTILLERY LICENSE.

(E) THE BOARD SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION AND TO SET THE ANNUAL ~~LICENSE~~ PERMIT FEE.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2024.

Approved by the Governor, May 16, 2024.