



ATCC

Alcohol, Tobacco, and Cannabis Commission

Wes Moore
Governor

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March 31, 2026

BILL: SB1008 - Alcohol and Cannabis - Cannabinoid Beverages Off-Premises Sales Permit – Establishment

COMMITTEE: Senate Finance

POSITION: Informational Only

Dear Chair Beidle and Members of the Senate Finance Committee:

I write on behalf of the Alcohol, Tobacco, and Cannabis Commission (ATCC) to provide information on Senate Bill 1008 - Alcohol and Cannabis - Cannabinoid Beverages Off-Premises Sales Permit - Establishment (SB1008).

SB1008 authorizes cannabis processors (henceforth, “processors”) licensed by the Maryland Cannabis Administration (MCA) to transfer cannabinoid beverages to *any* Class 1 Wholesalers licensed by the ATCC for sale to local alcoholic beverages retailers licensed by the local liquor boards. It does this by adding “cannabinoid beverages” throughout the existing statutory authorization for Class 1 Wholesalers at risk of inadvertently but adversely impacting those statutes. These products would only be permitted for sale if the establishment with off-premises privileges is permitted to sell cannabinoid beverages by the local liquor boards. Once at the retail level, these beverages are taxed at 12%, consistent with other cannabis products. This revenue is then entirely remitted to the General Fund. Under current law, cannabis beverages, and cannabis products generally, may only be manufactured, handled, and sold by entities holding MCA licenses. The ATCC is providing this information committee as the agency that has subject matter expertise with both regulated industries considered in SB1008 to highlight key distinctions between the two frameworks.

Cannabis Licensing v. Alcoholic Beverage Licensing

Under the Cannabis Reform Act of 2023, the entirety of the regulated cannabis supply chain, from growing, to finished product production and packaging, to retail sales, is in the regulatory purview of the MCA. Licenses are capped under statute and issued by MCA in specified times, under specified circumstances. Conversely, certain statewide alcoholic beverages licenses, such as wholesalers and manufacturers, are issued by the ATCC. However, local jurisdictions also have a role, specifically in the licensing of the retail tier through their local liquor boards. Manufacturing and wholesaler alcoholic beverages licenses also differ from cannabis licenses in that they can be issued on a rolling basis, and there is generally no license cap (except retail alcoholic beverage licenses in certain local jurisdictions). That means, entities can enter or exit the market more freely and more quickly than their counterparts in the cannabis industry can. The potential practical implication of this is that under SB1008 as introduced, not only could the current Class 1 Wholesalers

participate in cannabinoid beverage distribution (in fiscal 2025, this was 66 entities) but ATCC might experience an increase in Wholesalers entering the market for this purpose alone.

Product Tracking and Enforcement

Cannabis and cannabis products are still a Schedule 1 Controlled Substance under federal law. Therefore, Maryland law and the MCA has taken great efforts to track and trace the flow of cannabis products within the State¹. This seed-to-sale tracking system is used by the MCA to follow products throughout their lifecycle, from initial plant to end-retail sales. It is a perpetual inventory system for which products are in the State at any given time, and retains data as to when products moved locations, changed licensees, or were sold.

Conversely, alcoholic beverages exist in an interstate market and therefore often originate from outside of Maryland. The ATCC does not monitor, nor have a method to, determine how many of a given product is in the possession of a retailer at a given time. The ATCC's compliance checks on alcoholic beverages, particularly at retail establishments, are often focused on whether those products were obtained legally (e.g. through a licensed wholesaler or manufacturer), including if proper excise taxes were paid for the product(s). ATCC could conduct similar checks on cannabinoid beverages provenance, particularly if provided access to the MCA's seed-to-sale tracking system.

Additional Regulatory Considerations

As discussed above, SB1008 as introduced expands the potential universe of who could sell or handle cannabis products well above the current MCA-licensed framework. ATCC estimates that retail outlets alone who could sell these products to consumers may exceed 1,500 establishments in the State, if granted permission by the local liquor boards. Further, there are an additional 60-70 wholesalers who could be transporting these products throughout the State. Under the cannabis licensing system, all entities who grow, manufacture, sell, transport, or otherwise plant touching in any capacity must be licensed or registered with the MCA. SB1008 is currently silent on any notification or other registration to the MCA or ATCC on which entities may have these products on their shelves. Given the otherwise strict control that cannabis products are subject to, it may be prudent for the committee to consider registration requirements for alcoholic beverages licensees who will be handling, distributing, or selling cannabinoid beverages under SB1008. The use of a registration or permit requirement for these entities that are handling or selling cannabinoid beverages would have the added drafting benefit of allowing the General Assembly to place additional guardrails on these specific businesses, without otherwise amending existing law for established alcoholic beverages licensees. The ATCC would anticipate that not all alcoholic beverage licensees eligible to participate in this new market would choose to do so, and therefore keeping these privileges separate and apart from their core alcoholic beverages requirements would provide clarity for the licensees and regulators.

Another difference between cannabis and alcoholic beverages products is the use of an excise tax. As discussed above, excise taxes are placed on alcoholic beverages on a per-

¹ Cannabis and cannabis products cannot legally originate out of state due to the federal controlled status. Therefore, there is no legal interstate commerce for cannabis.

gallon basis, depending on the type of beverage produced. Conversely, cannabis is not taxed until the point of sale. In the cannabis industry, the lack of excise tax makes sense, as in certain circumstances some pre-finished products or distillate may move across the supply chain laterally. Similarly, unlike in alcoholic beverages, you have entities who are vertically integrated, and may be at a tax advantage, depending on the structure of a pre-point-of-sale tax. Additionally, of course, there is no interstate commerce for which the State would seek to control or regulate via an excise tax system. However, with alcoholic beverages, the ATCC derives certain statutory authority from the enforcement of the excise tax on alcoholic beverages, and this tool allows for an additional compliance check on retailers or wholesalers of these products. If the committee wishes to not additionally burden the legal cannabis market with a significant excise tax, the ATCC would note that we would gain this authority and compliance measure regardless of the rate of the excise tax, however nominal. Merely the existence of an excise tax would provide another tool in the toolbox for effective regulation and control. This may be especially helpful if out-of-state THC products are being illegally sold at local retail establishments in Maryland.

The Finance committee may consider these additional regulatory or oversight tools when weighing the authorization of cannabinoid beverages under SB1008. Each tool discussed above borrows from what has previously proven to be successful in the regulation of cannabis or alcohol in Maryland, respectively. Given that SB1008 represents an intersection of the regulated cannabis- and alcoholic beverages industries, the ATCC believes it would be instructive to learn from best-practices from the existing regulatory framework when crafting these policies.

As the State agency that is positioned in the nexus of these two industries, the ATCC hopes that this letter is helpful for the members of the Finance committee and is willing to assist the body further in their consideration of SB1008.

Sincerely,

A handwritten signature in black ink that reads "JA Kelly". The signature is written in a cursive, flowing style.

Jeffrey A. Kelly
Executive Director
Alcohol, Tobacco, and Cannabis Commission of Maryland