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Support - HB999, Class 9 Limited Distillery License - Alteration

Chair, Vice Chair, and Members of the Committee:

Thank you for the opportunity to submit testimony in support of HB 999, legislation amending the Class 9 Limited Distillery License. We are the co-founders of Old Line Spirits, located in the Highlandtown neighborhood of Baltimore City. Former aviators in the Navy and current neighbors in the City, we opened the doors to the distillery nine years ago, in February, 2017. Old Line is a Class 9 holder focusing on the production of high quality American Single Malt Whiskey, aged Caribbean rum, and vodka, with a small Class D tavern open three days a week to the public.

Maryland's craft distilling industry has grown significantly over the past decade with the help of disciplined, common sense legislation from Annapolis. However, the regulatory framework governing the Class 9 Limited Distillery License has not kept pace with the economic realities facing small manufacturers. Specifically, the existing statutory language prevents a Class 9 distiller from producing spirits for another entity, also known as "contract distilling".

In the current economic environment, small businesses like ours need every reasonable, responsible tool to diversify revenue channels – and the ability to contract distill in small quantities is a critical service that will allow us to remain viable and competitive. This limitation restricts operational flexibility, inhibits revenue diversification, and places license holders at a competitive disadvantage compared to similarly situated producers in other states. Allowing Class 9 holders the ability to contract distill would allow them to more efficiently utilize their production capacity, spread fixed equipment and labor costs across greater output, add a much needed revenue channel, and grow employment potential.

Additionally, adjusting the license limitations as proposed will create a needed marketplace for brands too small to meet Class 1 distillery volume quantities or that cannot yet invest in capital buildout of a facility of their own. As a result, these brands look for solutions out of state, to the detriment of Maryland. The proposed 31,000 gallon annual cap on contract production creates opportunity for these small entrepreneurs to manufacture their products in state, resulting in more tax revenue, job opportunities, and local brand ownership.



Importantly, removing these statutory restrictions would not diminish regulatory oversight and would increase tax revenue. All spirits produced under contract would remain subject to existing federal and state requirements. Licensing, labeling approvals, excise taxes, and reporting obligations would remain unchanged. The proposed amendment simply allows licensed facilities to create more taxable gallonage under the same compliance framework that already governs their operations.

For these reasons, I respectfully urge the Committee to support the proposed legislation. This change represents a pragmatic, economically sound modernization of the Class 9 Limited Distillery License that will promote stability, growth, and continued investment in our state's craft distilling industry.

Thank you for your consideration.

Respectfully submitted,
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