

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 397
Economic Matters

(Montgomery County Delegation)

Education, Health, and Environmental Affairs

Montgomery County - Alcoholic Beverages - Licenses
MC 17-17

This bill authorizes the holder of a Class 7 micro-brewery license in Montgomery County to (1) brew in two locations using the same Class 7 license and (2) obtain a Class 2 rectifying license for the premises at the two locations authorized under the Class 7 license.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: General fund revenues increase minimally to the extent that additional Class 2 rectifying licenses are issued under the bill. The Comptroller's Office can likely handle any additional inspections and enforcement activities under the bill using existing resources.

Local Effect: The bill does not directly affect Montgomery County operations or finances.

Small Business Effect: Potential meaningful positive impact for any Class 7 micro-brewery license holder that can expand brewing operations in the manner authorized by the bill.

Analysis

Bill Summary: To brew in two locations, the holder of a Class 7 micro-brewery license must request and obtain permission from the Comptroller by submitting a written application. Before authorizing a second brewing location, the Comptroller must make a determination that a second location is necessary due to insufficient space at the existing

Class 7 license location and consider any other factor relevant to the approval of the application. A license holder may not serve or sell malt beverages for on- or off-premises consumption at the second location.

Current Law: Class 7 micro-brewery (on- and off-sale) licenses are issued by the Comptroller's Office; the annual license fee is \$500. In general, the license is issued only to a holder of a Class B beer, wine, and liquor (on-sale) license that is issued for use on the premises of a restaurant with exceptions in certain jurisdictions. A license holder may not (1) brew more than 22,500 barrels of malt beverages per year; (2) own, operate, or be affiliated with another manufacturer of beer, except for a Class 2 rectifying license; or (3) be granted a wholesaler's license. A license holder may store the finished product under an individual storage permit or at a licensed public storage facility for subsequent sale and delivery to a holder of a wholesaler's license, to an authorized person outside the State, or for shipment back to the micro-brewery location for sale on the retail premises.

The holder of one or two Class 7 micro-brewery licenses that produces no more than 22,500 barrels of beer annually from all of its locations may obtain a Class 7 limited beer wholesaler's license and distribute beer up to 3,000 barrels of its own brewed beer each year. The annual fee is \$50.

In Montgomery County, a Class 7 micro-brewery license may be issued to the holder of a (1) Class B beer, wine, and liquor (on-sale) license; (2) Class H beer and wine license; or (3) Class I beer and wine license.

A Class 2 rectifying license authorizes the license holder to (1) establish and operate a plant for rectifying, blending, and bottling alcoholic beverages; (2) sell and deliver alcoholic beverages to specified entities; (3) acquire alcoholic beverages from the holder of a Class 1 license, Class 2 license, Class 3 license, wholesaler's license, or a nonresident dealer's permit; (4) rectify, blend, bottle, and store alcoholic beverages in the name of another person or under a trade name, as specified; and (5) conduct guided tours of the licensed premises and serve samples, as specified. The annual license fee is \$600.

Background: Montgomery County advises that there are six Class 7 micro-brewery licenses issued for use in the county.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Montgomery County; Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2017
fn/tso Third Reader - March 16, 2017
Revised - Amendment(s) - March 16, 2017

Analysis by: Richard L. Duncan

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