

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 867 (Senator Feldman)
Education, Health, and Environmental Affairs

Alcoholic Beverages – Breweries – Limits on Production and On-Premises Sales

This bill authorizes a Class 7 micro-brewery and a Class 8 farm brewery to produce any amount of beer each year. The bill also (1) increases the maximum amount of beer that a Class 7 micro-brewery may sell for on-premises consumption each year from 4,000 barrels to 25,000 barrels at each licensed location and (2) establishes a limit on the amount of beer a Class 8 farm brewery may sell for on-premises consumption (25,000 barrels). **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund revenues from alcoholic beverages taxes and sales taxes may increase minimally beginning in FY 2019 to the extent that affected breweries increase production; however, any such impact cannot be reliably estimated. Expenditures are not affected.

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

Small Business Effect: Meaningful.

Analysis

Current Law: Generally, a Class 7 micro-brewery license may be issued only to the holder of a Class B beer, wine, and liquor (on-sale) license that is issued for use at a restaurant. A license holder may brew, bottle, or contract for up to 22,500 barrels of beer each calendar year. However, any beer produced under a contractual arrangement accrues to the license holder that owns the brand. The license holder is authorized to sell for on-premises consumption up to 4,000 barrels of beer brewed under the license, with

specified restrictions. A license holder may sell at retail beer brewed under the license for off-premises consumption in a sealed refillable container or a nonrefillable container. The annual license fee is \$500.

In general, a Class 8 farm brewery license authorizes the license holder to brew, bottle, or contract for up to 15,000 barrels of beer each year; however, that beer must be manufactured with an ingredient from a Maryland agricultural product, including hops, grain, and fruit, and produced on the licensed farm. The license holder may (1) sell the beer produced for on-premises consumption and (2) sell and deliver the beer to a licensed wholesaler or a person in another state authorized to acquire beer. The annual license fee is \$200.

Background: In February 2018, there were 29 Class 7 micro-breweries and 20 Class 8 farm breweries in the State.

Small Business Effect: The bill significantly increases the amount of beer that may be produced and sold for on-premises consumption by a Class 7 micro-brewery and Class 8 farm brewery.

Additional Information

Prior Introductions: None.

Cross File: HB 1369 (Delegate Luedtke) - Economic Matters.

Information Source(s): Montgomery and Worcester counties; Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2018
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