

HOUSE BILL 565

A1

3lr1458
CF SB 431

By: **Washington County Delegation**

Introduced and read first time: February 3, 2023

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 11, 2023

CHAPTER _____

1 AN ACT concerning

2 **Alcoholic Beverages – Class 9 Limited Distillery License – Self-Distribution**

3 FOR the purpose of authorizing ~~a holder of a Class 9 limited distillery license to sell and~~
4 ~~deliver alcoholic beverages manufactured under the license in bulk to a person in the~~
5 ~~State that is authorized to acquire them and to a person outside the State that is~~
6 ~~authorized to acquire them; repealing the prohibition against~~ a holder of a Class 9
7 limited distillery license ~~applying for or possessing a wholesaler's license to apply for~~
8 ~~and obtain a Class 8 liquor wholesaler's license with certain privileges; and generally~~
9 relating to Class 9 limited distillery licenses.

10 BY repealing and reenacting, with amendments,
11 Article – Alcoholic Beverages
12 Section 2–203, 2–212(b), 2–308.1, and 2–311
13 Annotated Code of Maryland
14 (2016 Volume and 2022 Supplement)

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

17 **Article – Alcoholic Beverages**

18 2–203.

19 (a) There is a Class 9 limited distillery license.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



(b) The limited distillery license may be issued only to a holder of a:

(1) Class D beer, wine, and liquor license where sales for both on- and off-premises consumption are permitted for use on the premises for which the Class D license was issued; or

(2) Class B beer, wine, and liquor license where sales for both on- and off-premises consumption are permitted for use on the premises for which the Class B license was issued.

(c) A holder of the limited distillery license:

(1) may establish and operate a plant in the State for distilling, rectifying, and bottling brandy, rum, whiskey, alcohol, and neutral spirits if the holder:

(i) maintains only one brand at any one time for each product of brandy, rum, whiskey, alcohol, and neutral spirits that is distilled, rectified, and sold; and

(ii) does not manufacture or rectify product of any other brand for another entity;

(2) may acquire bulk alcoholic beverages from the holder of a distillery or rectifying license in the State or from the holder of a nonresident dealer's permit;

(3) after acquiring an individual storage permit, may store on the licensed premises those products manufactured under the license;

(4) EXCEPT AS AUTHORIZED UNDER SUBSECTION (D)(1) OF THIS SECTION, may sell and deliver those products manufactured under the license ~~only to a~~ licensed wholesaler in the State or person authorized to acquire distilled spirits in another state and not to a county dispensary~~;~~

~~(I) IN BULK TO A PERSON IN THE STATE THAT IS AUTHORIZED TO ACQUIRE THEM; AND~~

~~(II) TO A PERSON OUTSIDE THE STATE THAT IS AUTHORIZED TO ACQUIRE THEM;~~

(5) may sell the products manufactured under the license at retail in a manner consistent with the underlying Class D or Class B license;

(6) may conduct guided tours of that portion of the licensed premises used for the limited distillery operation;

(7) may serve not more than three samples of products manufactured at the licensed premises, with each sample consisting of not more than one-half ounce from a single product, to persons who:

- (i) have attained the legal drinking age;
- (ii) participated in a guided tour; and
- (iii) are present on that portion of the premises used for the limited distillery operation; and

(8) may sell and deliver products manufactured by the license holder to an individual in accordance with § 2-219 of this subtitle.

(d) A holder of the limited distillery license may not:

(1) ~~apply for or possess a wholesaler's license, EXCEPT FOR A CLASS 8 LIQUOR WHOLESALER'S LICENSE;~~

~~(2)~~ sell bottles of the products manufactured at the Class 9 limited distillery on that part of the premises used for the distillery operation;

~~[(3)] (2)~~ except as provided in subsection (e) of this section, distill, rectify, bottle, or sell more than 100,000 gallons of brandy, rum, whiskey, alcohol, and neutral spirits each calendar year;

~~[(4)] (3)~~ sell at retail on the premises of the Class D or Class B license, for on-premises or off-premises consumption, more than 31,000 gallons of the products manufactured under the license each calendar year; and

~~[(5)] (4)~~ own, operate, or be affiliated in any manner with another manufacturer.

(e) To distill more than the gallonage specified in subsection ~~[(d)(3)] (D)(2)~~ of this section, a holder of the limited distillery license shall divest itself of any Class D or Class B retail license and obtain a Class 1 distillery license.

(f) A holder of the limited distillery license shall abide by all trade practice restrictions applicable to distilleries.

(g) The annual license fee:

(1) shall be determined by the Commission; and

(2) may not exceed \$500.

2-212.

(b) (1) The holder of a rectifying or winery license may apply for and obtain a wholesaler's license of any class for the same premises or elsewhere as provided under this article.

(2) The holder of a Class 4 limited winery license may apply for and obtain a Class 6 limited wine wholesaler's license for the same premises or elsewhere as provided under this article.

(3) (i) The holder of a Class 5 brewery license or Class 7 micro-brewery license may apply for and obtain a Class 7 limited beer wholesaler's license in accordance with this paragraph.

(ii) A holder of a Class 5 brewery license that was selling the holder's own beer at wholesale in the State as of January 1, 2013, may obtain a Class 7 limited beer wholesaler's license to continue to sell the holder's own beer at wholesale in the same location in an amount that is not more than 5,000 barrels annually.

(iii) A holder of a Class 5 brewery license that produces in aggregate from all its locations not more than 45,000 barrels of beer annually may obtain a Class 7 limited beer wholesaler's license and distribute not more than 5,000 barrels of its own beer annually.

(4) A holder of one or two Class 7 micro-brewery licenses that produces in aggregate from all of its locations not more than 45,000 barrels of beer annually may obtain a Class 7 limited beer wholesaler's license and distribute beer that:

(i) totals annually not more than 5,000 barrels in aggregate from all of its locations; and

(ii) has been brewed at the location from where it is distributed.

(5) The holder of a Class 1 distillery license may apply for and obtain a Class 8 liquor wholesaler's license for the same premises or elsewhere as provided under this article.

(6) THE HOLDER OF A CLASS 9 LIMITED DISTILLERY LICENSE MAY APPLY FOR AND OBTAIN A CLASS 8 LIQUOR WHOLESALER'S LICENSE, FOR THE SAME PREMISES OR ELSEWHERE AS PROVIDED UNDER THIS ARTICLE, AND DISTRIBUTE ITS OWN LIQUOR.

2-308.1.

(a) There is a Class 8 liquor wholesaler's license.

(b) The license may be issued only to a person that:

1 (1) holds a:

2 (I) Class 1 distillery license; OR

3 (II) CLASS 9 LIMITED DISTILLERY LICENSE; and

4 (2) produces in the aggregate from all of its locations not more than 100,000
5 gallons of liquor annually.

6 (c) The license authorizes the license holder to:

7 (1) sell and deliver its own liquor produced at the license holder's premises
8 to:

9 (i) a holder of a retail license that is authorized to acquire liquor
10 from a wholesaler; and

11 (ii) a holder of a permit that is authorized to acquire liquor from a
12 wholesaler; and

13 (2) distribute not more than 27,500 gallons of its own liquor annually.

14 (d) The annual license fee is \$100.

15 (e) The license holder may use an additional location for the warehousing, sale,
16 and delivery of liquor:

17 (1) if approved by the Comptroller following submission of a separate
18 application for each location; and

19 (2) on the payment of a \$100 fee for each additional location.

20 2-311.

21 (a) The holder of a Class 1, Class 2, or Class 3 wholesaler's license may obtain
22 more than one such license [provided] IF separate records are kept.

23 (b) (1) The holder of a rectifying or winery license may apply for and obtain a
24 wholesaler's license of any class for the same premises or elsewhere as provided under this
25 article.

26 (2) The holder of a Class 4 limited winery license may apply for and obtain
27 a Class 6 limited wine wholesaler's license for the same premises or elsewhere as provided
28 under this article.

(3) (i) The holder of a Class 5 manufacturer's license or Class 7 micro-brewery license may apply for and obtain a Class 7 limited beer wholesaler's license in accordance with this paragraph.

(ii) A holder of a Class 5 manufacturer's license that was selling the holder's own beer at wholesale in the State as of January 1, 2013, may obtain a Class 7 limited beer wholesaler's license to continue to sell the holder's own beer at wholesale in the same location in an amount that is not more than 5,000 barrels annually.

(iii) A holder of a Class 5 manufacturer's license that produces in aggregate from all its locations not more than 45,000 barrels of beer annually may obtain a Class 7 limited beer wholesaler's license and distribute not more than 5,000 barrels of its own beer annually.

(iv) A holder of one or two Class 7 micro-brewery licenses that produces in aggregate from all of its locations not more than 45,000 barrels of beer annually may obtain a Class 7 limited beer wholesaler's license and distribute beer that:

1. totals annually not more than 5,000 barrels in aggregate from all of its locations; and

2. has been brewed at the location from where it is distributed.

(4) A HOLDER OF A CLASS 9 LIMITED DISTILLERY LICENSE MAY APPLY FOR AND OBTAIN A CLASS 8 LIQUOR WHOLESALER'S LICENSE, FOR THE SAME PREMISES OR ELSEWHERE AS PROVIDED UNDER THIS ARTICLE, AND DISTRIBUTE ITS OWN LIQUOR.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2023.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.