

SENATE BILL 1002

A2

4lr3001
CF HB 1377

By: ~~Senator Follen~~ **Frederick County Senators**

Introduced and read first time: February 2, 2024

Assigned to: Finance

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 23, 2024

CHAPTER _____

1 AN ACT concerning

2 **Frederick County – Alcoholic Beverages – Brewery and Distillery Licenses**

3 FOR the purpose of establishing in Frederick County a Class DBR brewery license and a
4 Class DDS distillery license; authorizing the Board of License Commissioners for
5 Frederick County to issue to the holder of a certain brewery license a Class DBR
6 license, which authorizes the holder to sell certain amounts of beer for on–premises
7 consumption; authorizing the Board of License Commissioners for Frederick County
8 to issue to the holder of a certain distillery license a Class DDS license, which
9 authorizes the holder to sell certain amounts of alcoholic beverages for on–premises
10 consumption; and generally relating to brewery and distillery licenses in Frederick
11 County.

12 BY repealing and reenacting, without amendments,
13 Article – Alcoholic Beverages and Cannabis
14 Section 2–202(a), (e), and (i), 2–207(b) ~~and (f)~~, (f), and (g), and 20–102
15 Annotated Code of Maryland
16 (2016 Volume and 2023 Supplement)

17 BY repealing and reenacting, with amendments,
18 Article – Alcoholic Beverages and Cannabis
19 Section 20–401
20 Annotated Code of Maryland
21 (2016 Volume and 2023 Supplement)

22 BY adding to

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.



Article – Alcoholic Beverages and Cannabis
Section 20–407 and 20–408
Annotated Code of Maryland
(2016 Volume and 2023 Supplement)

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

Article – Alcoholic Beverages and Cannabis

2–202.

(a) There is a Class 1 distillery license.

(e) Subject to subsection (f) of this section, a license holder may conduct the activities specified in subsections (c)(5) and (i)(2) of this section from 10 a.m. to 10 p.m. each day.

(i) (1) A local licensing board may grant an on–site consumption permit for use at the location of the Class 1 distillery license to a holder of a Class 1 distillery license.

(2) (i) The permit authorizes the holder to sell mixed drinks made from liquor that the holder produces that is mixed with other nonalcoholic ingredients for on–premises consumption.

(ii) The holder may not use more than an aggregate of 7,750 gallons annually of liquor the holder produces for mixed drinks sold under subparagraph (i) of this paragraph.

(3) A local licensing board:

(i) may establish and charge a permit fee; and

(ii) shall require the permit holder to:

1. comply with the alcohol awareness requirements under § 4–505 of this article; and

2. abide by all applicable trade practice restrictions.

2–207.

(b) There is a Class 5 brewery license.

(f) (1) (i) A local licensing board may grant an on–site consumption permit to an applicant that holds a Class 5 brewery license and, subject to paragraph (5) of this subsection, a Class D beer license.

(ii) On request, a local licensing board may grant an applicant a conditional on-site consumption permit or a conditional Class D beer license.

(iii) The conditional permit or conditional license shall become effective after the applicant:

1. files a completed brewer's notice form with the U.S. Department of Treasury;
2. obtains a Class 5 brewery license; and
3. fulfills any other obligation required by law that the local licensing board identifies.

(2) Subject to the maximum volume limit under paragraph (4) of this subsection, a Class D beer license or an equivalent license under paragraph (5) of this subsection entitles the holder to sell to an individual who has attained the legal drinking age, for on-premises consumption at the brewery:

(i) beer:

1. of which the holder of the Class 5 license is the brand owner; and
2. that is fermented and brewed entirely by the license holder at a location authorized by this section;

(ii) beer that is fermented and brewed entirely at the brewery under contract with a brand owner who does not possess a Class 5 license; and

(iii) subject to paragraph (3) of this subsection, beer brewed at a location other than the Class 5 brewery if:

1. the brand owner of the beer is the holder of the Class 5 license or an affiliate of the holder of the Class 5 license;
2. the number of barrels of the beer sold for on-premises consumption under the Class D beer license or an equivalent license or an on-site consumption permit in a calendar year does not exceed the greater of:

A. 25% of the total number of barrels of beer sold for on-premises consumption under the Class D license or an equivalent license or an on-site consumption permit in that calendar year; or

B. 1.2% of total finished production under the Class 5 brewery license; and

1 3. A. the license holder contracts with or on behalf of a
2 holder of a manufacturer's license or nonresident dealer's permit; or

3 B. the beer is manufactured by an affiliate of the license
4 holder.

5 (3) (i) This paragraph applies to a Class 5 brewery with more than
6 1,000,000 barrels of finished production annually, alone or in combination with its
7 affiliates.

8 (ii) Beer that is delivered to the Class 5 brewery in finished form
9 may be sold for on-premises consumption under paragraph (2)(iii)2 of this subsection only
10 if it is purchased from a licensed wholesaler.

11 (4) The total amount of beer sold each year for on-premises consumption
12 under this subsection may not exceed 5,000 barrels.

13 (5) Before a local licensing board that does not issue a Class D beer license
14 may grant an on-site consumption permit, the local licensing board shall:

15 (i) establish an equivalent license; and

16 (ii) require the applicant to obtain that equivalent license.

17 (6) A local licensing board may charge a fee for granting an on-site
18 consumption permit.

19 (7) A local licensing board shall require the holder of an on-site
20 consumption permit or a Class D beer license or an equivalent license under paragraph (5)
21 of this subsection to:

22 (i) comply with the alcohol awareness requirements under § 4-505
23 of this article; and

24 (ii) abide by all applicable trade practice restrictions.

25 (g) (1) This subsection does not apply to:

26 (i) the holder of a Class 5 brewery license that held an on-site
27 consumption permit and a Class D license or an equivalent license on or before April 1,
28 2017, and any transferee of those licenses;

29 (ii) an individual who held a minority interest in an on-site
30 consumption permit and a Class D license or an equivalent license on or before April 1,
31 2017, and then obtains by transfer a majority interest in the same license or permit;

(iii) a location in the State for which a completed brewer's notice form was filed with the U.S. Department of Treasury on or before April 1, 2017;

(iv) a permit issued under § 2-140 of this title; and

(v) a guided tour during which:

1. samples of beer are served under subsection (c)(5) of this section; or

2. beer is sold for off-premises consumption under subsection (c)(6) of this section.

(2) This subsection applies to:

(i) a holder of a Class 5 brewery license who:

1. after April 1, 2017, obtains an on-site consumption permit and a Class D beer license or equivalent license for on-premises consumption; or

2. not holding a minority interest in an on-site consumption permit and a Class D license or an equivalent license on or before April 1, 2017, obtains a majority interest by transfer in an on-site consumption permit and a Class D license or an equivalent license; and

(ii) notwithstanding paragraph (1)(iii) of this subsection, a manufacturer of beer with more than 1,000,000 barrels of finished production annually alone or in combination with its affiliates.

(3) Notwithstanding any provision in Division II of this article, the sales and serving privileges of an on-site consumption permit and a Class D license or an equivalent license may be exercised only from 10 a.m. to 10 p.m. Monday through Sunday.

20-102.

This title applies only in Frederick County.

20-401.

(a) The following sections of Title 2, Subtitle 2 ("Manufacturer's Licenses") of Division I of this article apply in the county without exception or variation:

(1) § 2-201 ("Issuance by Comptroller");

(2) [§ 2-202 ("Class 1 distillery license");

(3)] § 2-203 ("Class 9 limited distillery license");

1 ~~[(4)]~~ **(3)** § 2–204 (“Class 2 rectifying license”);

2 ~~[(5)]~~ § 2–207 (“Class 5 brewery license”);

3 ~~(6)]~~ **(4)** § 2–210 (“Class 8 farm brewery license”);

4 ~~[(7)]~~ **(5)** § 2–211 (“Residency requirement”);

5 ~~[(8)]~~ **(6)** § 2–212 (“Additional licenses”);

6 ~~[(9)]~~ **(7)** § 2–213 (“Additional fees”);

7 ~~[(10)]~~ **(8)** § 2–214 (“Sale or delivery restricted”);

8 ~~[(11)]~~ **(9)** § 2–215 (“Beer sale on credit to retail dealer prohibited”);

9 ~~[(12)]~~ **(10)** § 2–216 (“Interaction between manufacturing entities and
10 retailers”);

11 ~~[(13)]~~ **(11)** § 2–217 (“Distribution of alcoholic beverages — Prohibited
12 practices”); and

13 ~~[(14)]~~ **(12)** § 2–218 (“Restrictive agreements between producers and
14 retailers — Prohibited”).

15 (b) The following sections of Title 2, Subtitle 2 (“Manufacturer’s Licenses”) of
16 Division I of this article apply in the county:

17 (1) **§ 2–202 (“CLASS 1 DISTILLERY LICENSE”), SUBJECT TO § 20–408**
18 **OF THIS SUBTITLE;**

19 **(2)** § 2–205 (“Class 3 winery license”), subject to § 20–403 of this subtitle;

20 ~~[(2)]~~ **(3)** § 2–206 (“Class 4 limited winery license”), subject to § 20–404 of
21 this subtitle;

22 ~~[(3)]~~ **(4)** **§ 2–207 (“CLASS 5 BREWERY LICENSE”), SUBJECT TO §**
23 **20–407 OF THIS SUBTITLE;**

24 **(5)** § 2–208 (“Class 6 pub–brewery license”), subject to § 20–405 of this
25 subtitle; and

26 ~~[(4)]~~ **(6)** § 2–209 (“Class 7 micro–brewery license”), subject to § 20–406 of
27 this subtitle.

1 **20-407.**

2 **(A) THERE IS A CLASS DBR LICENSE.**

3 **(B) THE LICENSE MAY BE ISSUED TO A HOLDER OF A CLASS 5 BREWERY**
4 **LICENSE.**

5 **(C) THE LICENSE SERVES AS THE ON-PREMISES CONSUMPTION PERMIT**
6 **REQUIRED UNDER ~~§ 2-207(F)~~ § 2-207(F) AND (G) OF THIS ARTICLE.**

7 **(D) THE LICENSE HOLDER MAY SELL:**

8 **(1) FOOD AND NONALCOHOLIC BEVERAGES; AND**

9 **(2) BEER BREWED AT THE BREWERY FOR ON- AND OFF-PREMISES**
10 **CONSUMPTION TO THE EXTENT THE LICENSE HOLDER IS ALLOWED UNDER THE**
11 **LICENSE HOLDER'S CLASS 5 BREWERY LICENSE.**

12 **(E) THE BOARD SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION**
13 **AND TO SET THE ANNUAL LICENSE FEE.**

14 **20-408.**

15 **(A) THERE IS A CLASS DDS LICENSE.**

16 **(B) THE LICENSE MAY BE ISSUED TO A HOLDER OF A CLASS 1 DISTILLERY**
17 **LICENSE.**

18 **(C) THE LICENSE SERVES AS THE ON-PREMISES CONSUMPTION PERMIT**
19 **REQUIRED UNDER ~~§ 2-202(F)~~ § 2-202(E) AND (I) OF THIS ARTICLE.**

20 **(D) THE LICENSE HOLDER MAY SELL:**

21 **(1) FOOD AND NONALCOHOLIC BEVERAGES; AND**

22 **(2) BRANDY, RUM, WHISKEY, ALCOHOL, AND NEUTRAL SPIRITS THAT**
23 **ARE DISTILLED, RECTIFIED, BLENDED, AND BOTTLED AT THE DISTILLERY FOR**
24 **ON- AND OFF-PREMISES CONSUMPTION TO THE EXTENT THE LICENSE HOLDER IS**
25 **ALLOWED UNDER THE LICENSE HOLDER'S CLASS 1 DISTILLERY LICENSE.**

26 **(E) THE BOARD SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION**
27 **AND TO SET THE ANNUAL LICENSE FEE.**

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
2 1, 2024.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.