



Maryland's Beer Laws: Overview & Historical Perspective

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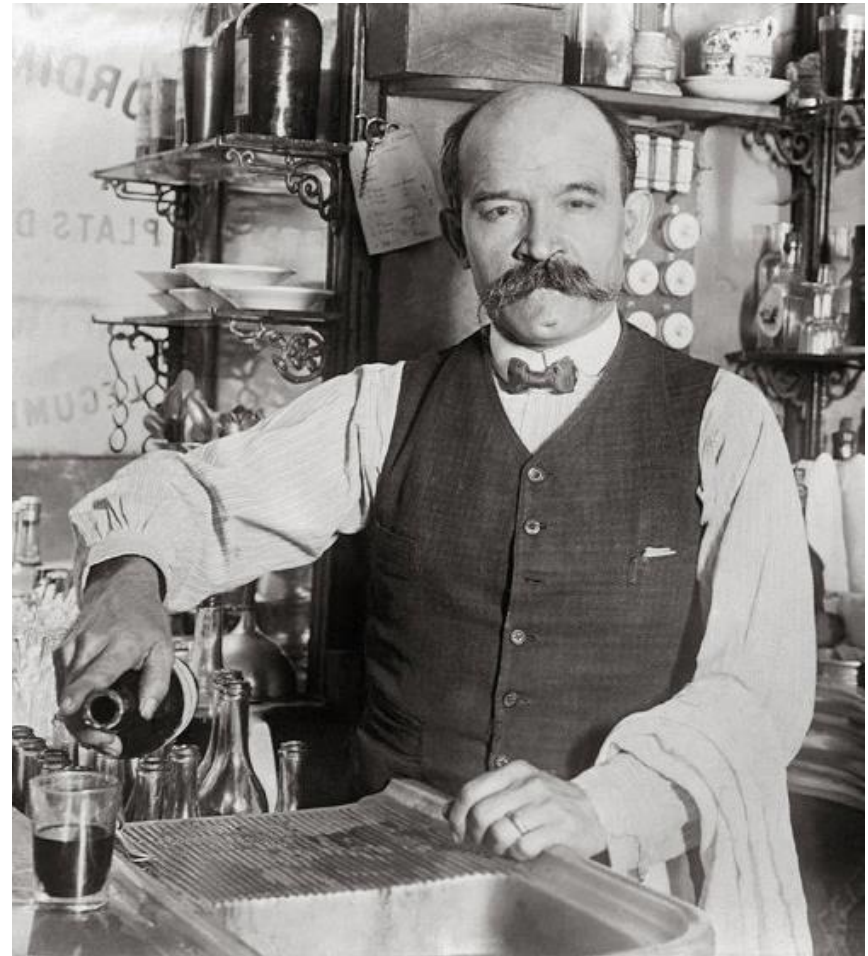
COMPTROLLER
of MARYLAND
Serving the People

How did we get here?



By way of Europe, of course!

- Pre-prohibition, European brewers wanted 1 saloon for every 285 people.
- Chicago had 1 legal saloon for every 150 to 200 people (7,300 legal saloons)
- Plus, they had about 1,000 illegal saloons



How could I get a piece of the action?

- You needed \$200 and a desire to own a saloon.
- Then brewers would give you a location and all of the necessary equipment.

What's the catch?

- The only alcohol you can sell is the brewer's beer (tied house).
- You will incur a premium on the cost of the beer to repay the brewer.
- You will be pressured to sell more beer.
- Your competition will be across the street or down the street.

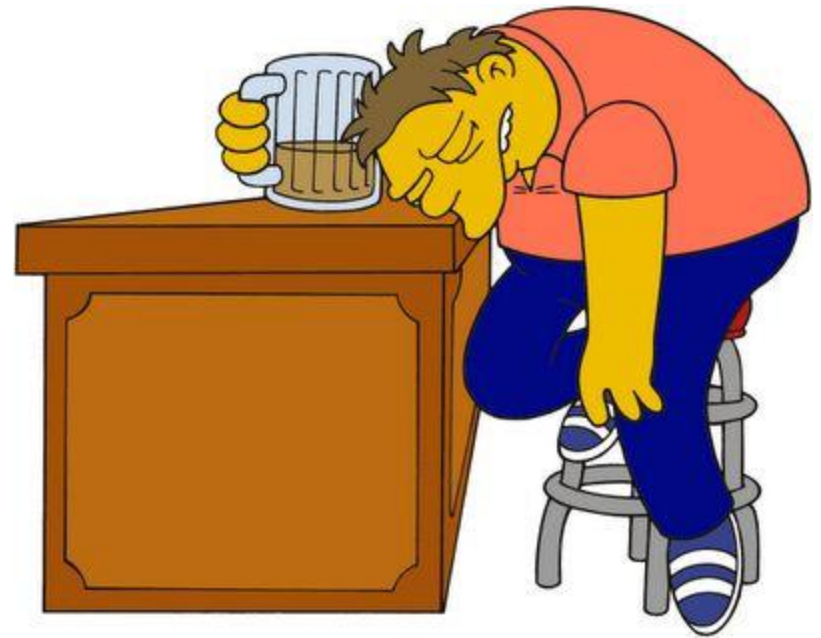
At this point, what are my options?

- Market to draw customers in.
 - Free meals
 - Illegal gambling
 - Prostitution
 - Drugs



The result?

- Over consumption leading to:
 - Breakdown of public order and decorum gone
 - Increased crime
 - General harm to individuals
 - Disintegration of families and communities



Enter... Prohibition!

- The 18th Amendment
- The Volstead Act
- Individual States' legislation



Maryland's Response

- No complimentary legislation
- The birth of our State's motto
- The Free State

THE EVENING SUN

BALTIMORE, APRIL 4, 1923

The Maryland Free State

In 1923, Georgia Congressman William D. Upshaw, a firm supporter of Prohibition, denounced Maryland as a traitor to the Union for refusing to pass a State enforcement act. Mr. Owens thereupon wrote a mock-serious editorial entitled "The Maryland Free State," arguing that Maryland should secede from the Union rather than prohibit the sale of liquor. The irony in the editorial was subtle, and Mr. Owens decided not to print it. He popularized the nickname, however, in later editorials.

Prohibition Ends

- The 21st Amendment
- Each state was given the authority to control alcohol as it saw fit.
- Maryland employed a licensing system containing three tiers with a bright line separating each tier.
 - Manufacturers, who sell to distributors
 - Distributors, who sell to retailers
 - Retailers, who sell to consumers

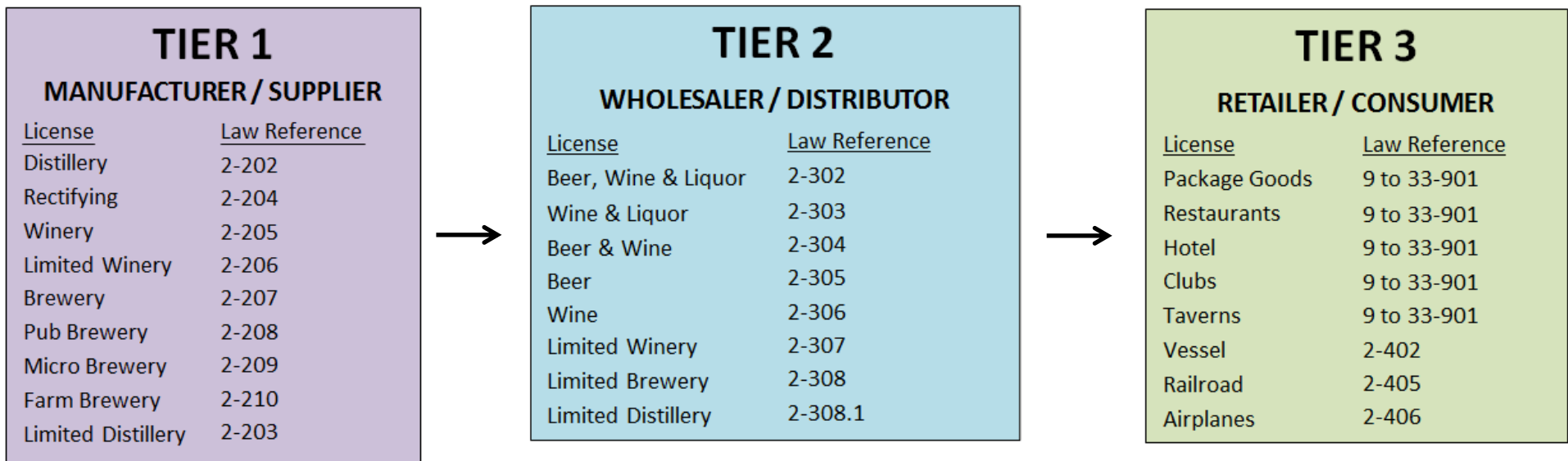


Maryland's Regulatory Structure

- The Comptroller of Maryland licenses and regulates the manufacturers and distributors.
- Each of 25 local jurisdictions licenses and regulates its local retailers.
- The Comptroller and the local jurisdictions share enforcement responsibility for retailers.



Maryland's Alcoholic Beverage Distribution System



Maryland's *Actual* Alcoholic Beverage Distribution System

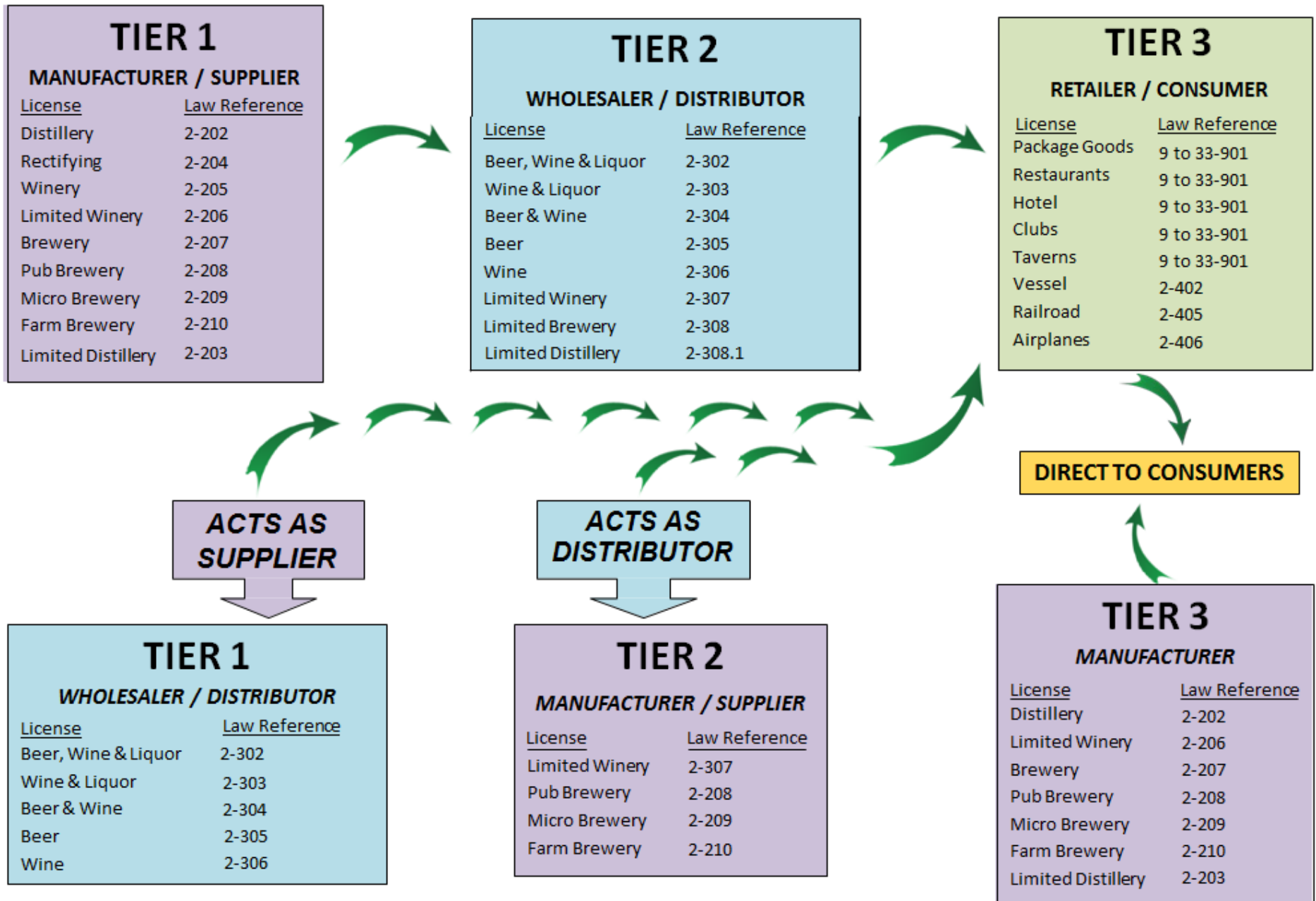
TIER 1		
Manufacturers/Suppliers		
License	Type	Law Reference
Class 1 (M)	Distillery	2-202
Class 2 (M)	Rectifying	2-204
Class 3 (M)	Winery	2-205
Class 4 (M)	Limited Winery	2-206
Class 5 (M)	Brewery	2-207
Class 6 (M)	Pub Brewery	2-208
Class 7 (M)	Micro Brewery	2-209
Class 8 (M)	Farm Brewery	2-210
Class 9 (M)	Limited Distillery	2-203
Multi Tier		
License	Type	Law Reference
Class 1 (W)	Beer, Wine & Liquor	2-302
Class 2 (W)	Wine & Liquor	2-303
Class 3 (W)	Beer & Wine	2-304
Class 4 (W)	Beer	2-305
Class 5 (W)	Wine	2-306

TIER 2		
Wholesalers/Distributors		
License	Type	Law Reference
Class 1 (W)	Beer, Wine & Liquor	2-302
Class 2 (W)	Wine & Liquor	2-303
Class 3 (W)	Beer & Wine	2-304
Class 4 (W)	Beer	2-305
Class 5 (W)	Wine	2-306
Class 6 (W)	Limited Winery	2-307
Class 7 (W)	Limited Brewery	2-308
Class 8 (W)	Limited Distillery	2-308.1
Multi Tier		
License	Type	Law Reference
Class 4 (M)	Limited Winery	2-206
Class 6 (M)	Pub Brewery	2-208
Class 7 (M)	Micro Brewery	2-209
Class 8 (M)	Farm Brewery	2-210
Class E	Vessel	2-402
Class F	Railroad	2-405
Class G	Airplanes	2-406

TIER 3		
Retailers/Consumers		
License	Type	Law Reference
Class A	Package Goods	9 to 33-901
Class B	Restaurants	9 to 33-901
Class B	Hotel	9 to 33-901
Class C	Clubs	9 to 33-901
Class D	Taverns	9 to 33-901
Class E	Vessel	2-402
Class F	Railroad	2-405
Class G	Airplanes	2-406
Multi Tier		
License	Type	Law Reference
Class 1 (M)	Distillery	2-202
Class 4 (M)	Limited Winery	2-206
Class 5 (M)	Brewery	2-207
Class 6 (M)	Pub Brewery	2-208
Class 7 (M)	Micro Brewery	2-209
Class 8 (M)	Farm Brewery	2-210
Class 9 (M)	Limited Distillery	2-203



Maryland's *Not-So-Simple* Alcoholic Beverage Distribution System



How do Maryland's beer laws compare with neighboring states?



Manufacturing Licenses

<i>Maryland</i>	<i>Delaware</i>	<i>D.C.</i>	<i>Pennsylvania</i>	<i>Virginia</i>	<i>West Virginia</i>
Class 5 - Brewery	License to Manufacture (The Biennial license fee is based on annual production)	Brew pub Permit (in addition to a class C or D permit for retail sales)	Brewery Pub	Beer On and Off premise and Keg in addition to Restaurant	Brew Pub (Resident Brewer/Importer License Required), Class A
Class 6: Pub-Brewery		Manufacturer's license Class B Brewery	Malt and Brewed Beverage Manufacturer	Brewery/Brewery and Keg License	Brewer/Importer License
Class 7 - Micro-Brewery			Malt and Brewed Beverages	Limited Brewery License (Farm Brewery)	Resident Brewer
Class 8 - Farm Brewery			Alternating Brewers' Licenses License		Non-intoxication beer, Class B (For off-premise consumption)
			Manufacture, Storage or Transportation		



Barrel Production Limits

State	License Type	Barrel Limit per License
<i>Delaware</i>	More than 100,000 barrels	More than 100,000 bbls
	Between 50,000 and 100,000 barrels	More than 50,000-not more than 100,000 bbls
	Between 25,000 and 50,000 barrels	More than 25,000-Not more than 50,000 bbls
	Less than 25,000 barrels	Not more than 25,000
<i>D.C.</i>	Brew pub Permit (in additional to a class C or D permit for retail sales)	No limit
	Manufacturer's license Class B Brewery	No limit
<i>Maryland</i>	Class 6: Pub-Brewery	Limited to the 2,000 bbls
	Class 5 - Brewery	No limit
	Class 7 - Micro-Brewery	Not more than 22,500 bbls
	Class 8 - Farm Brewery	Not more than 15,000 bbls
<i>Pennsylvania</i>	Brewery Pub	No Barrel Cap/Limit. Must exceed the 250 bbl floor
	Malt and Brewed Beverage Manufacturer	No Barrel Cap/Limit. Must exceed the 250 bbl floor.
	Malt and Brewed Beverages Alternating Brewers' Licenses	No Barrel Cap/Limit. Must exceed the 250 bbl floor.
	License Manufacture, Storage or Transportation	No limit
<i>Virginia</i>	Beer On and Off premise and Keg in addition to Restaurant	Subject to Virginia's manufacturing license limits
	Brewery/Brewery and Keg	License fee increase to (\$4,300 per year) over 10,000 bbls
	Brewery/Brewery and Keg	License fee is \$2,150 at 10,000 or less
	Brewery/Brewery and Keg	License fee is \$350 if license makes not more than 500 bbls
<i>West Virginia</i>	Limited Brewery License (Farm Brewery)	No more than 15,000 bbls and located on a farm
	Brew Pub (Resident Brewer/Importer License Required), Class A	No more than 25,000 bbls; cannot distribute more than 10,000 bbls
	Brewer/Importer License	No limit
	Resident Brewer	No more than 25,000 bbls; cannot distribute more than 10,000 bbls
	Non-intoxication beer, Class B (For off-premise consumption)	No limit



Brewery & Sample Laws

	<i>Maryland</i>	<i>Delaware</i>	<i>D.C.</i>	<i>Pennsylvania</i>	<i>Virginia</i>	<i>West Virginia</i>
<i>Samples Permitted</i>	Yes - limited to 18 oz.	Yes - not limited	Yes - limited to 12 oz.	Yes - not limited	Yes - limited to 12 oz.	Yes - limited to 20 oz.
<i>On-Premise Consumption</i>	Yes - limited to 500 (2000 bbls - effective July 1 st)	Yes - not limited	Yes - not limited	Yes - not limited	Yes - not limited	Yes
<i>Off-Premise Sales</i>	Yes - limited to 288 oz.	Yes - limited to 5 cases per day to each retail customer.	Yes - not limited	Yes - not limited	Yes - not limited	No (Only permitted for Non-intoxication beer)
<i>Serving Age</i>	18	21	18	18	18	18



Franchise Laws

	<i>Maryland</i>	<i>Delaware</i>	<i>D.C.</i>	<i>Pennsylvania</i>	<i>Virginia</i>	<i>West Virginia</i>
<i>Written agreement</i>	Yes	N/A	No Franchise Laws	Yes	Yes	Yes
<i>Exclusive territories</i>	Yes	Yes, filed	N/A	Yes	Yes	Yes
<i>State approval for transfer of brand</i>	No	Yes	N/A	No	No	Yes
<i>Termination</i>	Good cause or negotiated compensation	Good cause or Reasonable compensation	N/A	Good cause	Good cause	Just cause
<i>Brewery exemptions</i>	N/A	N/A	N/A	Some brewers exempt grandfathered, pending < 20% wholesalers sales	N/A	N/A

Self-Distribution Laws

<i>State</i>	<i>Permitted?</i>	<i>Limits</i>
Maryland	Yes	3,000 bbls/year if total production is no more than 22,500 bbls/year
Delaware	No	N/A
D.C.	Yes	No limit
Pennsylvania	Yes	No limit
Virginia	Yes	No limit
West Virginia	Yes	10,000 bbls/year

Contract Brewing Laws

<i>State</i>	<i>Permitted?</i>
Maryland	Yes
Delaware	Yes
D.C.	Yes *
Pennsylvania	Yes
Virginia	Yes
West Virginia	Yes