Alcoholic Beverages Regulation in Maryland

Presentation to the Task Force to Study State Alcohol Regulation, Enforcement, Safety, and Public Health

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

September 12, 2018
Presentation Outline

1. The Origin and Purposes of Alcohol Regulation
2. Control and Licensing Models
3. The Three Tier System
4. The Enforcement Powers of Local Licensing Boards and the Comptroller
5. Preliminary Findings from a 50-state Survey
Origin and Purposes

• December 5, 1933

• “Foster and Promote Temperance”
  – Allow consumption under controlled conditions
  – “Displace or limit economic competition”

• Toward Liquor Control
Classification of Alcoholic Beverages

Beer, Wine, and Liquor

• Based on alcohol content

• Different license fees, taxes
Two Models

• Control Model
  – State-owned monopoly controls wholesale or retail sales. Retail sales conducted through state-owned stores (dispensaries)
  – 4 Maryland jurisdictions

• Licensing Model
  – Private parties obtain licenses for alcoholic beverages sales
  – 25 Maryland jurisdictions
Three Tier System

- Tier 1 – Manufacturers: State licenses issued by Comptroller
- Tier 2 – Distributors (wholesalers): State licenses issued by Comptroller
- Tier 3 – Retailers: local licenses issued by boards of license commissioners
Retail Operations in Maryland

• Local Restrictions
  – Examples: hours of sale, quotas, location restrictions, food percentages, dry areas
  – Local boards are the enforcers

• Hybrid Operations
  – Example: Class 5 breweries with tasting rooms
  – Local local jurisdictions enforce retail sales laws in tasting rooms. The Comptroller enforces brewery operations
Office of the Comptroller

• Field Enforcement Division
  – Enforces State’s revenue laws relating to cigarettes and other tobacco products, alcohol, motor fuels, business licenses, and the sales and use tax
  – Investigates reports concerning unpaid taxes (e.g., admission and amusement, alcohol, motor carrier tax) and income tax fraud
  – Guards against smuggling of alcohol and cigarettes and sales to unlicensed wholesalers
  – Ensures that alcohol products distributed in marketplace are safe

• Revenue Administration Division
  – Collects alcoholic beverage tax
Estimated Tax Revenues for Fiscal 2019

• Alcoholic beverage tax
  – Beer tax – $8.2 million
  – Wine tax – $6.7 million
  – Distilled spirits tax – $16.7 million

• Sales tax – $314.2 million
Preliminary 50-state Survey Results

• A quick look at who regulates the alcoholic beverages industry in each state

• Black outline around a bar indicates Maryland’s practices

• With one exception, Maryland’s system is similar to that of many other States
Preliminary 50-state Survey Results

Who Is the State-level Governing Body for Alcohol Regulation?

Agency/Department/Division: 27 states

Commission/Commissioner: 14 states

Board: 8 states

No State Control (Local Control): 2 states

Number of States (including Washington, D.C.)

Source: Department of Legislative Services
Preliminary 50-state Survey Results

Who Does the Governing Body Report to?

- Agency/Department/Division: 30 states
- Governor or Mayor of Washington, D.C.: 19 states
- Not Available – Local Control: 2 states

Source: Department of Legislative Services
What Type of Agency, Department, or Division Oversees Alcoholic Beverage Regulation?

- Revenue Agency: 10 states
- Public Safety Agency: 5 states
- Business Regulation/Licensing: 4 states
- Commerce: 4 states
- Alcoholic Beverage Control: 3 states
- Attorney General/Consumer Protection: 2 states
- Finance and Administration: 1 state

Source: Department of Legislative Services
## Preliminary 50-state Survey Results

### Who Issues Manufacturer, Wholesale, and Retail Licenses and Permits?

<table>
<thead>
<tr>
<th>Industry</th>
<th>Issued by the State (Including Washington, D.C.)</th>
<th>Issued Locally</th>
<th>Combination of State and Local</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturer</strong></td>
<td>Issued by the State (Including Washington, D.C.)</td>
<td>Issued Locally</td>
<td>Combination of State and Local</td>
</tr>
<tr>
<td><strong>Wholesale</strong></td>
<td>Issued by the State (Including Washington, D.C.)</td>
<td>Issued Locally</td>
<td>Combination of State and Local</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>Issued by the State (Including Washington, D.C.)</td>
<td>Issued Locally</td>
<td>Combination of State and Local</td>
</tr>
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Source: Department of Legislative Services
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Questions?

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