



Senate Fiscal Agency
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Senate Bill 331 (as reported by the Committee of the Whole)
Sponsor: Senator Joe Hune
Committee: Regulatory Reform

CONTENT

The bill would repeal Section 1205 of the Michigan Liquor Control Code, which imposes a 1.85% tax on the retail selling price of spirits for off-premises consumption, in addition to any taxes imposed by law.

Section 1205 requires the Liquor Control Commission to collect the specific tax at the time it sells the liquor. The Commission must deposit the entire proceeds in the State Treasury, to the credit of the Liquor Purchase Revolving Fund.

In addition, under the Code, if a specially designated distributor sells alcoholic liquor to a hotel or merchant licensed to sell spirits for off-premises consumption, the alcohol may not be sold at less than the minimum retail selling price fixed by the Commission. "Minimum retail selling price" means the retail selling price plus certain specific taxes, including the one imposed under Section 1205. The bill would delete reference to that tax from the definition.

The bill would take effect October 30, 2011.

MCL 436.1229 et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Proceeds from the 1.85% tax that would be eliminated under the bill are currently credited to the Liquor Purchase Revolving Fund (LPRF). Much of the cost related to the operation of the Liquor Control Commission is paid from this Fund, as is the purchase of liquor by the State for resale. The 1.85% tax raises about \$14.0 million per year, which would be lost under the bill. Excess LPRF revenue is regularly transferred to the General Fund, and it is likely that the lost tax revenue would be taken from these transfers. The likely net effect of the bill, then, is a loss of \$14.0 million in General Fund/General Purpose revenue annually.

Date Completed: 5-31-11

Fiscal Analyst: Josh Sefton