

LIQUOR CONTROL CODE: SPIRITS AND SPECIAL LICENSES

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<http://www.house.mi.gov/hfa>

House Bill 4620 (proposed substitute H-1)
Sponsor: Rep. Brandt Iden

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4621 as introduced
Sponsor: Rep. Jack O'Malley

House Bill 4622 as introduced
Sponsor: Rep. Isaac Robinson

Committee: Regulatory Reform
Complete to 6-18-19

SUMMARY:

As a package, the bills would create a special license for a qualified organization to conduct a spirits tasting; allow a vendor of spirits to provide a special licensee with a brand-logoed tent, platform, or trailer for use during the special event; and allow a specially designated distributor (SDD) to sell discounted spirits to a special licensee.

Under the Michigan Liquor Control Code, nonprofit organizations may apply for up to 12 special licenses a year. The license, which is valid for one day, allows the charitable organization to sell beer, wine, mixed spirit drink, or spirits at retail for consumption on the premises only. In addition, a special license can be obtained that allows an organization to auction wine that has been donated to it and another that allows a nonprofit organization comprising brewers, microbrewers, and/or brewpubs to obtain up to six beer festival special licenses in a calendar year.

House Bill 4620 would add a new section to the Liquor Control Code to create a special license for a *qualified organization* conducting a *spirits tasting*.

Spirits tasting would mean an event at which spirits are showcased to the general public and at which the general public could purchase and sample the spirits being showcased for consumption on the licensed premises.

Qualified organization would mean a nonprofit association established for the primary purpose of representing the interests of vendors of spirits, craft distillers, and brokers whose membership includes at least 15 primary members and consists of at least three of the following that are licensed by the commission:

- Vendors of spirits
- Small distillers
- Brokers, meaning persons, other than individuals, that are licensed by the Liquor Control Commission and that are employed or otherwise retained by a manufacturer of spirits or a vendor of spirits to sell, promote, or otherwise assist in the sale or promotion of spirits
- Authorized delivery agents

An application for a spirits tasting special license would have to be submitted by a qualified organization, with a fee of \$25 per day of the event, and the spirits tasting being applied for would have to involve an event with the primary purpose of showcasing spirits and the spirits' production or mixability.

The holder of a spirits tasting special license could purchase spirits as provided under departmental rules, which allow a special licensee to purchase spirits from an SDD at the uniform sales price set by the commission and mixed spirits drink from an SDD or from a licensed wholesaler.

The holder of the special license could receive a rebate on the purchase of spirits as specified in the bill. A special licensee would submit a combined request for a rebate by March 1 of each year for all of the events for which it held a special license in the previous calendar year. The Liquor Control Commission would have to issue the combined rebate to the special licensee by June of each year. The rebate for any one event could not exceed \$10,000.

The special license holder could not have more than six such events per year. The license holder and the member vendors of spirits, small distillers, authorized distribution agents, and brokers whose vendor representatives, salespersons, or agents are licensed by the Liquor Control Commission, could pour and serve spirits, with or without mixers.

Finally, a qualified organization would have to designate a supervisor who has completed a server training program on each shift and during all hours when alcoholic liquor is served.

The bill is tie-barred to House Bill 4622, meaning that it could not take effect unless HB 4622 were also enacted.

Proposed MCL 436.2028

House Bill 4621 would add a new section to the Liquor Control Code to allow a vendor of spirits to provide a special licensee with a brand logoed tent, brand logoed *temporary platform*, and/or a brand logoed trailer for use during the effective period of the special license. *Temporary platform* would mean a preestablished platform exclusively used to serve, dispense, or mix drinks on, and would include any refrigeration equipment or mixing equipment. [Currently, section 609 of the act prohibits a vendor from aiding or assisting another vendor by gift, loan of money or property, or any other valuable thing, or by premiums or rebates.]

Proposed MCL 436.1609e

House Bill 4622 would add a new section to the Liquor Control Code to allow an SDD to refund the special licensee for an unopened bottle in the same amount that the special licensee paid for those spirits, less any of the specially designated distributor's credit card transaction fees incurred from the sale, but only if the bottle had no damage to the exterior that would prevent it from being resold.

Proposed MCL 436.1609d

FISCAL IMPACT:

House Bill 4620 would have a minor fiscal impact on the Michigan Liquor Control Commission (MLCC) within the Department of Licensing and Regulatory Affairs (LARA). The bill could potentially reduce revenues to the Liquor Purchase Revolving Fund, and subsequently to the General Fund.

The MLCC would likely experience minimal increases in administrative costs under the bill, but these costs would likely be sufficiently covered by existing departmental appropriations and revenues. The bill would establish a fee of \$25 per day for special licenses issued under the section. Revenues from this fee would depend on the number of entities seeking the license and the number of days the licensed event would last. The MLCC estimates that, at present, only two entities would meet the bill's definition of "qualified organization" and be eligible to obtain a license under the bill.

The bill would allow special licensees under the bill to receive a rebate on spirits purchased by the special licensee. The rebate amount would be determined by the following formula:

Rebate = Purchase Price Paid by Special Licensee to Specially Designated Distributor – (Price Paid by Liquor Control Commission for Spirits + 15% of MLCC Purchase Price + Specific Taxes)

As a practical example provided by the MLCC, a bottle of spirits that retails for \$19.99 would have an associated rebate of \$5.23. For an event in which \$14,000 in total spirits were purchased, the rebate to the licensee would total approximately \$3,500. This rebate would result in a direct reduction of revenues to the Liquor Purchase Revolving Fund, whose net revenues are transferred to the General Fund. The actual reduction to revenues would depend on the amount of rebates approved for licensees, but the amount is anticipated to be relatively low, given the limited number of entities that can receive a license and the limited number of events licensees can hold.

House Bills 4621 and 4622 would not have a fiscal impact on LARA or any other unit of state or local government.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.