



Senate Fiscal Agency
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House Bill 5341 (Substitute H-1 as reported without amendment)
House Bill 5342 (Substitute H-1 as reported without amendment)
House Bill 5343 (Substitute H-1 as reported without amendment)
House Bill 5344 (Substitute H-1 as reported without amendment)
House Bill 5345 (Substitute H-1 as reported without amendment)
House Bill 5346 (Substitute H-1 as reported without amendment)
House Bill 5347 (Substitute H-1 as reported without amendment)
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House Bill 5350 (Substitute H-1 as reported without amendment)
House Bill 5351 (Substitute H-1 as reported without amendment)
House Bill 5352 (Substitute H-2 as reported without amendment)
House Bill 5353 (Substitute H-2 as reported without amendment)
House Bill 5354 (Substitute H-1 as reported without amendment)
House Bill 5355 (Substitute H-1 as reported without amendment)
House Bill 5400 (Substitute S-1 as reported)

Sponsor: Representative Pauline Wendzel (H.B. 5341-5344)
Representative Jason Wentworth (H.B. 5345 & 5346)
Representative Alex Garza (H.B. 5347, 5348, & 5400)
Representative Matt Hall (H.B. 5349 & 5350)
Representative Graham Filler (H.B. 5351 & 5352)
Representative Sara Cambensy (H.B. 5353, 5354, & 5355)

House Committee: Regulatory Reform
Ways and Means

Senate Committee: Regulatory Reform

CONTENT

House Bill 5341 (H-1) would amend the Michigan Liquor Control Code to revise provisions concerning brewpub licensure to reflect the changes proposed in House Bill 5355 (H-1).

House Bill 5342 (H-1) would amend the Michigan Liquor Control Code to do the following:

- Subject the delivery of wine by a third-party facilitator service to Section 203(3), which allows a retailer that holds a specially designated merchant (SDM) license to use a common carrier to deliver wine to a consumer in Michigan, subject to certain requirements.
- Delete provisions allowing a qualified micro brewer or an out-of-State entity that is the substantial equivalent of a micro brewer to sell and deliver beer to a retailer in Michigan if certain conditions are met.
- Delete the term "qualified micro brewer", and to define the term "facilitate".

House Bill 5343 (H-1) would amend the Michigan Liquor Control Code to allow a micro brewer or an out-of-State entity that was the substantial equivalent of a micro brewer to sell and deliver beer to a retailer in Michigan only if certain conditions were met.

House Bill 5344 (H-1) would amend the Michigan Liquor Control Code to revise provisions concerning manufacturers that sell directly to a retailer to reflect the proposed provisions of House Bill 5343 (H-1).

House Bill 5345 (H-1) would amend the Michigan Liquor Control Code to do the following:

- Specify that, beginning March 15, 2020, the Michigan Liquor Control Commission (MLCC) could not require that the \$6.30 tax levied on each barrel of beer manufactured and sold in Michigan to be paid in less than quarterly intervals.
- Revise the definition of "eligible brewer" as it relates to a credit against the tax described above to increase, from 50,000 to 60,000, the maximum number of barrels produced to be eligible for the credit.

House Bill 5346 (H-1) would amend the Michigan Liquor Control Code to specify that, beginning March 15, 2020, the MLCC could not require the 13.5 cent-per-liter tax on all wine containing 16% or less of alcohol by volume sold in Michigan to be paid in less than quarterly intervals.

House Bill 5347 (H-1) would amend the Michigan Liquor Control Code to do the following:

- Specify that a beer festival that spanned two or more consecutive days would be considered one event for the purposes of a special license.
- Revise a current provision to allow a holder of a special license to buy a quantity of beer directly from any licensed brewpub or wholesaler or directly from a micro brewer eligible to self-distribute to the beer festival for consumption only at the licensed event.
- Classify beer that was dispensed to consumers for showcasing beer at a beer festival as a sample.
- Allow a holder of a special license to offer beer without consideration.
- Specify that a member who was 18 years of age or older of an organization that held a special license could serve beer at the event.

House Bill 5348 (H-1) would amend the Michigan Liquor Control Code to revise the subjects that must be covered in a salesperson license accreditation program.

House Bill 5349 (H-1) would amend the Michigan Liquor Control Code to delete and revise provisions concerning the assignment of brand extension for a manufacturer or outstate seller of beer or malt beverages.

House Bill 5350 (H-1) would amend the Michigan Liquor Control Code to make similar changes to those proposed by House Bill 5349 (H-1), however these would apply to a manufacturer or outstate seller of wine, mixed win drink, or mixed spirit drink.

House Bill 5351 (H-1) would amend the Michigan Liquor Control Code to create a definition for a "successor to a supplier that continues in business".

House Bill 5352 (H-2) would amend the Michigan Liquor Control Code to specify that a manufacturer's termination, cancellation, nonrenewal, or discontinuation of an agreement with a wholesaler would be void if the manufacturer sold the brand or brands of beer or wine, as applicable, subject to the termination, cancellation, nonrenewal, or discontinuation to a wholesaler or retailer within Michigan before the expiration of 24 months after the effective date of the written noticed provided to a wholesaler.

House Bill 5353 (H-2) would amend the Michigan Liquor Control Code to specify that a current registration condition that must be met for a merchant to fill and sell growlers with beer for consumption off the premises would not apply to certain licensees.

House Bill 5354 (H-1) would amend the Michigan Liquor Control Code to delete the requirement that a brewpub cannot sell beer in Michigan unless it provides for each brand or type of beer sold a label that truthfully describes the content of each container and provides proof that a valid "application for and certification/exemption of label/bottle approval" has been obtained and is unrevoked under the Federal malt beverage labeling requirements.

House Bill 5355 (H-1) would amend the Michigan Liquor Control Code to do the following:

- Specify that Section 609a of the Code (which requires a manufacturer or wholesaler to file with the MLCC a schedule of net cash prices to the retailer for all brands of case and keg beer for its market area, among other things) would not apply to a brewpub.
- Specify that a wholesaler or a retailer would not be considered in violation of a rule found in the Michigan Administrative Code that requires beer in Michigan to receive a registration number and be approved by the MLCC before its sale if certain conditions applied.
- Prohibit the MLCC from implementing or enforcing certain rules concerning proof of compliance with Federal labeling requirements and the registration of beer with the MLCC for products manufactured by a brewer and for products that a micro brewer or brewer sold exclusively at its tasting room or at a beer festival beginning on the bill's effective date.

House Bill 5400 (S-1) would amend the Michigan Liquor Control Code to revise the definition of "micro brewer" to accommodate the changes proposed by House Bill 5343 (H-2).

House Bill 5348 (H-1) also would rescind Rule 436.1319 of the Administrative Code.

All of the bills are tie-barred to each other.

MCL 436.1407 (H.B. 5341)
MCL 436.1203 (H.B. 5342)
Proposed MCL 436.1203a (H.B. 5343)
MCL 436.1609c (H.B. 5344)
MCL 436.1409 (H.B. 5345)
MCL 436.1301 (H.B. 5346)
MCL 436.1526 (H.B. 5347)
MCL 436.1502 (H.B. 5348)
MCL 436.1401 (H.B. 5349)
MCL 436.1307 (H.B. 5350)
MCL 436.1111 (H.B. 5351)
Proposed MCL 436.1602 (H.B. 5352)
MCL 436.1538 (H.B. 5353)
MCL 436.1405 (H.B. 5354)
MCL 436.1609a (H.B. 5355)
MCL 436.1109 (H.B. 5400)

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

Except for House Bills 5345 (H-1), 5346 (H-1), and 5347 (H-1), the bills would have no fiscal impact on State or local government.

House Bills 5345 (H-1) & 5346 (H-1) would have a minor negative fiscal impact on State government and no fiscal impact on local units of government

Under House Bill 5345 (H-1), more brewers would qualify for the small brewer's tax credit, although the MLCC expects the number of brewers who would be affected and who would apply to be small. The credit is \$2 per barrel for the first 30,000 barrels produced. The impact on tax revenue would be minimal.

Under House Bill 5345 (H-1) and House Bill 5346 (H-1), the MLCC would require beer and wine taxes to be paid no more frequently than on a quarterly basis. Currently, the taxes are paid on a monthly basis. The greater concentration of payments at one time would result in increased staff workloads at the end of each quarter. However, this cost likely would be absorbed by existing appropriations. The change also would result in a decrease in late fee revenue of about \$15,000 annually.

House Bill 5347 (H-1) likely would have a minor fiscal impact on the Department of Licensing and Regulatory Affairs and no fiscal impact on local units of government. Under current law, an organization that holds a beer festival may hold up to six events per calendar year. The organization is required to pay \$25 per day of the event. The bill would add an additional clarification that a beer festival that spanned multiple days would be considered a single event. However, this is already the case under the law. To the extent that license holders change their behavior because of the modification, the bill could result in a slight increase or decrease in special license revenue. The magnitude of the impact likely would be minimal.

Date Completed: 6-9-20

Fiscal Analyst: Elizabeth Raczkowski