

REIMBURSEMENT FOR BEVERAGE CONTAINERS

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Senate Bill 178 (proposed substitute H-1)

Sponsor: Sen. Ed McBroom

House Committee: Regulatory Reform

Senate Committee: Natural Resources

Complete to 5-24-21

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

SUMMARY:

Senate Bill 178 would amend the Initiated Law of 1976, which governs returnable containers for a variety of beverages, including soft drinks, other carbonated drinks, and beer, to do the following:

- Revise the process by which an overredeemer (a distributor or manufacturer who pays more in refunds of deposits on returned beverage containers than it collects in deposits on those containers) obtains a refund on the overpayment from the Department of Treasury (“department”). Currently, an overredeemer may carry forward the amount paid in refunds that exceeds the amount collected in deposits and apply that amount (for up to three years) to offset a year in which the distributor or manufacturer is an underredeemer (collects more in deposits than pays out for refunds of the deposits).

Beginning January 1, 2022, the bill would allow a distributor or manufacturer to submit a report to the department for a refund of an overpayment within 30 days of the end of one or more of the first three quarters of a year, if there was an overpayment in any of those quarters. The department would have to pay the refund not later than 30 days after receiving the report. Further, the bill would provide a mechanism by which an overredeemer could reconcile the deposits collected, the refunds of the deposits paid out, and any amount received from the department in the preceding year for a quarterly refund and beginning January 1, 2022 would require the department, by April 1 of each year, to pay an overredeemer a refund for any remaining excess in the amount paid out for deposit refunds over the amount collected in deposits from *participating customers*.

Participating customer would be defined as a customer from whom a distributor or manufacturer collects a deposit under the act on every beverage container sold to the customer.

- Eliminate the overredemption credit for underredeemers (a distributor or manufacturer that pays less in refunds of deposits on returned beverage containers than it collects in deposits on those containers). However, an underredeemer for a year before 2021 who becomes an overredeemer in a subsequent year could still carry forward the amount owed for up to three years or until the credit granted is completely depleted, whichever occurs first. Under the bill, an underredeemer

would have to pay, by March 1 of each year, the amount equal to the deposits collected and the refunds it received under the provision described above that exceeds the amount of refunds it made, for the preceding year.

- Require reports made by a manufacturer or distributor that originates a deposit on beverage containers to be filed in the form prescribed by the department, rather than on a form similar to that contained in statute. The bill would delete the example contained in the law of the form currently required to be used.
- Revise provisions regarding the Bottle Deposit Fund to comport with changes the bill would make pertaining to payments made to the department by overredeemers. The bill would also specify that the fund consists of money paid to the department by underredeemers, that the state treasurer would direct the investment of the fund and credit to the fund interest and earnings from fund investments, and that the department is the administrator of the fund for auditing purposes.
- Eliminate a provision allowing a manufacturer who no longer originates deposits to carry, on a one-time basis, the value of an overredemption back for prior years in order to utilize its credit and reduce the amount of underredemption owed to the department.

The bill would take effect January 1, 2022.

MCL 445.573a, 445.573b, and 445.573c

BACKGROUND:

Senate Bill 178 is virtually identical to Senate Bill 779 of the 2019-20 legislative session. That bill was passed by the Senate and was referred from the House Regulatory Reform committee to the House Ways and Means committee.

FISCAL IMPACT:

The bill would have an indeterminate, but likely negligible, fiscal impact on the Bottle Deposit Fund. That said, changing the method by which overredeemers and underredeemers reconcile bottle deposit revenue payments with the Department of Treasury may alter Bottle Deposit Fund balances in the short run. Under current law, overredeemers can carry credit for overredemption forward for no more than three years and apply it in years where they were an underredeemer. With the elimination of the credit carryforward, the bill would require faster reconciliation of annual bottle return activity because underredeemers would be required to make payments to the department and overredeemers would receive a refund, thereby reconciling annual payments and refunds at the end of the year. Since the bill would change the process for reconciling bottle deposit revenue with the department and not alter payment or refund amounts, it is estimated that there would be no net impact on the overall fund balance when fully implemented.

The Department of Treasury likely would realize increased administrative costs related to the revised structure and the ability for overredeemers to file quarterly for a refund. Any costs would be directly related to the complexity of the administrative changes and requirement necessary to implement the provisions of the bill. Specific costs could include personnel and associated costs and information technology upgrades.

The bill would have no fiscal impact on local units of 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.