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Senate Bill 230 (Substitute S-1)
Sponsor: Senator Ed McBroom
Committee: Regulatory Reform

(Senate-passed version)

Date Completed: 4-20-21

CONTENT

The bill would amend the Michigan Liquor Control Code to do the following:

- **Extend a sunset on a discount for on-premises licensees on uniform prices for the sale of alcoholic liquor.**
- **Waive the specified annual renewal fees for the 2021 renewal.**

Sunset Extension

The Code establishes uniform prices for the sale of alcoholic liquor by specially designated distributors. The prices must return a gross profit to the Michigan Liquor Control Commission of at least 51% and not greater than 65%. If alcoholic liquor purchased by the Commission has not met sales standards established by the Commission for six months, it may sell the alcoholic liquor at a price to be approved by the State Administrative Board.

Under the Code, specially designated distributors and on-premises licensees are entitled to a 17% discount from the uniform prices described above on alcoholic liquor purchased from the State. Beginning on July 1, 2020, and for 12 months after, on-premise licensees are entitled to a 23% discount from the uniform prices. The bill would extend the sunset for this provision to December 31, 2023.

Fee Waivers

The Code requires, except as otherwise provided, certain license fees to be paid at the time of filing or as otherwise provided in the Code. Under the bill, notwithstanding anything in the Code to the contrary, all of the following annual renewal fees would be waived for the 2021 renewal:

- The fees required for specially designated merchants that sell beer or wine for consumption off the premises only but not at wholesale (\$100 for each location), if the license were held in conjunction with an on-premises license.
- The fees required in Section 536 (tasting room permit and license fees).
- The fees required in Sections 522 (banquet facility permits), 547 (catering permits), 551 (social district permit), 1114 (selling, giving away, furnishing, or buying alcoholic liquor or spirits on any day), and 1115 (the sale of spirits or mixed spirit drink on Sunday) for permits issued to on-premises retailers and manufacturers with tasting room permits or licenses.

The bill also would waive the annual renewal fees required under Section 525(1)(i), (l), (m), (n), (o), (p), (v), (w), (x), (y), and (bb). (The listed fees are for the following licenses and amounts, respectively:

- Watercraft licensed to carry passengers: \$100 and a maximum fee of \$500 per year computed on the basis of \$1 per person per passenger capacity.
- Hotels of class A selling beer and wine: a minimum fee of \$250 and \$1 for each bedroom in excess of 20, but not more than \$500 total.
- Hotels of class B selling beer, wine, mixed spirit drink, and spirits: generally, \$600 and \$3 for each bedroom in excess of 20.
- Taverns selling beer and wine: \$250.
- Class C licensees selling beer, wine, mixed spirit drink, and spirits: \$600, except as otherwise specified.
- Clubs selling beer, wine, mixed spirit drink, and spirits: \$300 for clubs having 150 or fewer accredited members and \$1 for each member in excess of 150, to a maximum fee of \$750.
- Brewpubs: \$100.
- Class G-1 licensees: \$1,000.
- Class G-2 licensees: \$500.
- Motorsports event licensees: as specified in the Code.
- Nonpublic continuing care retirement center licensees: \$600.)

MCL 436.1233 & 436.1525

Legislative Analyst: Christian Schmidt

FISCAL IMPACT

The bill would have a significant negative fiscal impact on State and local units of government.

The waiver of renewal fees for the 2021 renewal period would result a revenue loss of approximately \$9.0 million based on fiscal year 2019-20 data. Distribution of this revenue varies by license type. If the revenue were collected, approximately \$3.9 million would be distributed to local units of government and about \$3.0 million would be retained by the Commission for licensing and enforcement activities. Approximately \$1.25 million would fund alcoholism treatment programs, about \$680,000 in Sunday Sales Permits (AM) would be directed to the General Fund, and about \$12,000 would be directed to the Michigan Craft Beverage Council.

The increase of the discount from 17% to 23% also would result in significantly decreased revenue to the State. The Commission estimates that the change would result in a loss of approximately \$55.0 million from the July 1, 2020, start date to the December 31, 2023, end date. These estimates suggest a loss of approximately \$37.5 million between July 1, 2021, and December 31, 2023. The revenue loss would affect the Liquor Purchase Revolving Fund, which lapses to the General Fund at the close of each fiscal year.

Fiscal Analyst: Elizabeth Raczkowski

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.