

Legislative Analysis



INCREASE AUTHORIZED DISTRIBUTION AGENT FEES

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

House Bill 4422 (H-1) as referred to second committee

Sponsor: Rep. Pauline Wendzel

1st Committee: Regulatory Reform

2nd Committee: Rules

Complete to 9-23-25

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

SUMMARY:

House Bill 4422 would amend the Michigan Liquor Control Code to increase the fee that the Michigan Liquor Control Commission (MLCC) is required to pay to authorized distribution agents (ADAs).

ADAs are certified personnel that warehouse and deliver spirits on behalf of a vendor of spirits (i.e., a manufacturer that sells spirits to the MLCC) to retailers in Michigan. Since the MLCC is the wholesaler of spirits in Michigan, ADAs make these deliveries and collect payments from retailers on behalf of the commission.¹ Currently, the commission is required to make a payment of between \$8.25 and \$12.50 per case of spirits delivered to a vendor of spirits to offset the costs associated with contracting with an ADA.

Under the bill, beginning March 1, 2025, the required payment to offset ADA costs would be set at \$12.50 per case. In addition, beginning October 1, 2025, and annually every subsequent October 1, the state treasurer would have to adjust the minimum payment by the percentage increase in the *Consumer Price Index* for the previous calendar year, up to a maximum of 5%.

Consumer Price Index would mean the most comprehensive index of consumer prices available for the state from the United States Department of Labor, Bureau of Labor Statistics.

In addition, the bill would require each vendor of spirits to pay a fee of \$1.75 per case of spirits purchased by the MLCC to the applicable ADA. This amount could not be adjusted by the MLCC or the state treasurer, but a vendor of spirits and an authorized distribution agent could agree to a payment amount per case that is greater than the \$1.75 per case amount.

Finally, the MLCC could make additional payments to ADAs based on a methodology established by the commission.

MCL 436.1205

FISCAL IMPACT:

House Bill 4422 would reduce general fund revenues transferred from the Liquor Purchase Revolving Fund. The bill would increase the per-case offset payments to vendors of spirits, which would reduce the amount of net profit transferred to the general fund. Assuming a 3%

¹ <https://www.michigan.gov/lara/bureau-list/lcc/faq/authorized-distribution-agent-ada-information>

annual inflation rate and annual sales of 10.5 million cases, the Michigan Liquor Control Commission estimates an increase of about \$4 to \$5 million in payments per year over the next 10 years. This would result in a corresponding reduction in general fund revenue of about \$4 to \$5 million per year over the next 10 years. The actual reduction in general fund revenue would depend on the inflation rate and the volume of case sales.

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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.