

LIQUOR CODE AMENDMENTS

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House Bill 4823 (H-1) as referred to second committee

Sponsor: Rep. Joseph A. Aragona

1st Committee: Regulatory Reform

2nd Committee: Rules

Complete to 9-23-25

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

SUMMARY:

House Bill 4823 would amend the Michigan Liquor Control Code to make changes related to the sale or provision of items with college or university logos, the provision by vendors of gifts and sponsorships and promotional signs to colleges or universities, dishonored payments from retailers to wholesalers, certain on-premises sales of nonalcoholic beer, beer samples, the composition of the Craft Beverage Council, and other matters as described below.

Colleges and universities

Notwithstanding anything in the code to the contrary, the bill would allow a vendor to sell alcoholic liquor in a container or packaging that includes the name or logo of a two-year or four-year college or university in Michigan that holds a retailer liquor license.

The bill also, notwithstanding anything in the code to the contrary, would allow a vendor to provide a retailer with advertising items authorized under section 609 of the code¹ that include the name or logo of a two-year or four-year college or university that holds a retailer license, as long as the retailer the items are provided to is a two-year or four-year college or university with a retailer license.

The bill also would allow a vendor to provide signs promoting the brands and prices of alcoholic liquor for use on the licensed premises of a retail liquor license held by the governing body of a college or university in Michigan. The following would apply to such a sign:

- It could not be illuminated.
- It could not have any use beyond the actual advertising of brands and prices of alcoholic liquor.
- It could not be larger than 3,500 square inches (about six feet by four feet) if located inside the retailer's licensed premises.

The signs described above could include the name or logo of the college or university.²

The bill also would allow a sports or entertainment venue for which a retail license has been issued to the governing body of a public university under the code³ to contain advertising signs that are both illuminated and larger than 3,500 square inches. Any of the following entities

¹ <https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-436-1609>

² The bill also includes an additional provision to allow a vendor to provide signs that promote the brands and prices of alcoholic liquor to a retailer that is a two-year or four-year college or university in Michigan that include the name or logo of the college or university "notwithstanding anything in [the code] to the contrary."

³ See subsections (7) and (8), as applicable: <https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-436-1531>

could provide and install advertising signs that are illuminated and advertising signs that are larger than 3,500 square inches:

- A brewer.
- A micro brewer.
- A wine maker.
- A small wine maker.
- An outstate seller of beer.
- An outstate seller of wine.
- An outstate seller of mixed spirit drink.
- A manufacturer of spirits.
- A manufacturer of mixed spirit drink.
- A vendor of spirits.
- An outstate self-distributor.

The bill would allow a vendor (a person licensed to sell alcoholic liquor) to provide a philanthropic gift or sponsorship payment to a two-year or four-year college or university in Michigan that holds a retail liquor license if all of the following conditions are met:

- The gift does not include alcoholic liquor.
- The gift or sponsorship payment is not contingent on the purchase of alcoholic liquor by the governing body of the college or university.
- The gift or sponsorship payment is not contingent on the sale of alcoholic liquor at the site where a retail license is held by the governing body of the college or university.

Dishonored retailer payments

Section 903b of the code now makes it a violation for a retailer to make payments to a wholesaler, the Michigan Liquor Control Commission (MLCC), or the state that are dishonored by a financial institution for lack of sufficient funds.

Under the bill, dishonored payments to the MLCC or the state would no longer be a violation. The bill also would provide that having a dishonored payment to a wholesaler *for any reason* is a violation, rather than the currently required *for lack of sufficient funds*.

The bill would allow wholesalers to require retailers to pay an administrative fee for each dishonored payment (within 12 months of the first violation for repeat offenses) as follows:

Violation	Fee
First	\$50
Second	\$100
Third	\$150
Fourth	\$200
Fifth and above	\$250

In addition, the bill would require the MLCC to suspend a retailer's license for 14 days if the retailer has made at least six payments to a wholesaler that were dishonored by a financial institution in violation of the above on different dates in 12 consecutive months.

Nonalcoholic beer

The code now defines *beer* as a beverage obtained by alcoholic fermentation of an infusion or decoction of barley, malt, hops, sugar, or other cereal in potable water. Under this definition, which centers on the process used to manufacture the beverage and makes no reference to the alcoholic content of the resulting product, nonalcoholic beer is considered *beer* for purposes of the code.⁴ Among other things, this means that nonalcoholic beer is subject to the requirements of Michigan's three-tier distribution system for alcohol, under which (broadly speaking) manufacturers sell products to wholesalers, which sell them to retailers, which sell them to consumers.

The bill would create an exception to allow a wholesaler to sell nonalcoholic beer (beer that contains less than 0.5% alcohol by volume) to a brewer or a micro brewer to sell at their approved tasting room for consumption on or off the licensed premises. (A brewer or micro brewer is now limited to selling only beer it has made in its tasting room.) A brewer or micro brewer that purchases nonalcoholic beer under these provisions could not do either of the following:

- Sell or transfer the beer to another licensee.
- If the brewer or micro brewer has multiple licensed locations with approved tasting rooms, transfer the beer to any of their licensed locations.

Beer samples

The bill also would allow a brewer or a micro brewer to give samples of beer to an employee of another brewer or micro brewer if all of the following conditions are met:

- The sampling is for research or to educate the employee about the beer.
- The employee is at least 21 years of age.
- The sampling takes place on the licensed premises of the other brewer or micro brewer.

Michigan Craft Beverage Council

The Michigan Craft Beverage Council now consists of nine voting members appointed by the governor and, as a nonvoting member, the director of the Department of Agriculture and Rural Development (MDARD) or their designee.

The bill would add the business manager of the Michigan Liquor Control Commission (MLCC) or their designee to the council as a nonvoting member.

In addition, the bill would change a current requirement that a voting member be appointed who is a representative of large brewers⁵ to instead a representative of either a brewer or a micro brewer. (The bill would not change a current requirement that another voting member be a representative of either micro brewers or brewpubs.)

⁴ The bill would amend the definition of *beer*, but it would not change its meaning or scope. It would simply split the current definition into two parts, which would make it easier to refer separately to nonalcoholic beer or higher alcohol beer in other provisions of the code (such as those described above). The two parts would consist of beverages obtained by alcoholic fermentation of an infusion or decoction of barley, malt, hops, sugar, or other cereal in potable water that contain 0.5% or more alcohol by volume, and those that contain less than 0.5% alcohol by volume (including 0.0%). As is the case currently, the term *beer* would encompass all such fermented beverages, regardless of their alcohol content.

⁵ Those producing from 60,000 to 1.0 million barrels of beer a year.

Sale or delivery of alcohol to certain entities

Currently, the act allows a wholesaler to sell or deliver beer and alcoholic liquor to hospitals, military establishments, governments of federal Indian reservations, and churches requiring sacramental wines.

The bill would expand these provisions to allow wholesalers to sell or deliver beer, wine, mixed wine drink, and mixed spirit drink to any of the following:

- Hospitals.
- Military establishments.
- Governments of federal Indian reservations.
- Churches requiring sacramental wines.
- Border or airport stores as defined in federal law.⁶
- Trade associations that are exempt from taxation under section 501(c)(6) of the federal Internal Revenue Code and whose members are licensed under the Liquor Control Code, if the alcoholic beverage is for on-premises consumption and not for resale.⁷

In addition, a wholesaler may sell either of the following per week to its own employees:

- Up to two cases of 24 12-ounce units (or its equivalent) of malt beverage.
- Up to one case of 12 one-liter units (or its equivalent) of wine or mixed spirit drink.

The bill would add mixed wine drink to the second bulleted item above.

Other amendments

Finally, the bill would add mixed spirit drink manufacturers, outstate sellers of mixed spirit drinks, and mixed wine drink wholesalers to the following provisions of the code (which currently apply to other specified entities):

- A requirement to maintain accurate records of expenditures for four years. (The bill would not specifically add mixed wine wholesalers to this provision, which already includes wholesalers generally.)
- A provision allowing purchase, for promotional purposes, of one drink for each customer at an on-premises retail licensee (up to a maximum of \$100 spending per day), no more than twice per month at the same location.

The bill cannot take effect unless House Bill 4824 and 4825 are also both enacted. Generally speaking, House Bill 4824 would amend the Michigan Liquor Control Code's definitions for the terms *brand* and *brand extension*,⁸ and House Bill 4825 would amend the Income Tax Act to create individual and corporate income tax credits for distributors that originate deposits on beverage containers.⁹

MCL 436.1105 et seq. and proposed MCL 436.1412

⁶ <https://www.govinfo.gov/content/pkg/USCODE-2023-title19/pdf/USCODE-2023-title19-chap4-subtitleIII-partIV-sec1555.pdf>

⁷ <https://www.irs.gov/charities-non-profits/other-non-profits/types-of-organizations-exempt-under-section-501c6>

⁸ <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2025-HB-4824>

⁹ <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2025-HB-4825>

FISCAL IMPACT:

House Bill 4823 would have an indeterminate fiscal impact on the Michigan Liquor Control Commission, housed within the Department of Licensing and Regulatory Affairs (LARA). Under current law, a beer manufacturer may only sell beer in a tasting room that the manufacturer produced. The bill would allow brewer and micro brewer tasting rooms to purchase alcoholic and nonalcoholic beer, which the MLCC indicated could result in an increase in beer excise tax revenue, though any potential increase would be minimal.

Additionally, the bill includes provisions pertaining to gift-giving, signage, and alcoholic beverage branding as they relate to colleges and universities in the state. These provisions would likely have no direct fiscal impact on the MLCC.

Finally, the bill would require the MLCC to suspend a retailer's license if the retailer makes six or more dishonored payments and would require that retailers be considered in violation of the Liquor Control Code if a payment to a wholesaler is dishonored for any reason. Under current law, only dishonored payments due to insufficient funds are considered violations, so the revision would expand the potential for violations. This change could increase revenue from collected violation fines, but the amount of revenue would depend on the number of dishonored payments and whether the MLCC opts to assess penalties provided for under section 903 of the code. Revenue collected from these violation penalties would be deposited into the state's general fund. The bill would also allow licensed wholesalers to assess administrative fees in accordance with the schedule established in the bill, though this revenue would be retained by the wholesaler and would therefore not impact the state. These provisions could result in additional administrative and enforcement costs for the MLCC, though the costs are likely to be modest.

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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.