SFA BILL ANALYSIS
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Senate Bill 263 (as enrolled) **PUBLIC ACT 118 of 1989**
Sponsor: Senator Dan L. DeGrow
Senate Committee: Regulatory Affairs
House Committee: Liquor Control

Date Completed: 6-26-89

SUMMARY OF SENATE BILL 263 as enrolled:

**The bill would amend the Liquor Control Act to regulate the sale and distribution of "mixed spirit drink". Generally, mixed spirit drink could be sold by licensees who are authorized to sell spirits and would be regulated as spirits are under the Act, but would be sold to wholesalers by manufacturers and outstate sellers (rather than the Liquor Control Commission), and would be subject to certain regulations pertaining to beer and wine.**

"Mixed spirit drink" (MSD) would mean drink containing 10% or less alcohol by volume that consists of distilled spirits mixed with nonalcoholic beverages or flavorings or coloring materials, and also may contain water, fruit juices, fruit adjuncts, sugar, carbon dioxide, or preservatives. MSD would be produced and packaged or sold by mixed spirit drink manufacturers (persons licensed by the Liquor Control Commission to manufacture MSD in this State and sell it to wholesalers), and outstate sellers of MSD (persons licensed to sell MSD not manufactured in this State to wholesalers in this State). MSD also could be sold by specially designated distributors (which distribute package liquor for off-premises consumption); and by Class C licensees, Class B hotels, and clubs (which may sell beer, wine, and spirits for on-premises consumption).

The bill would require the Liquor Control Commission to levy a tax of $.48 per liter if the MSD were sold in bulk, or a proportionate amount on smaller quantities. MSD manufacturers would have to pay a $100 license fee, and outstate sellers of MSD would have to pay a $300 license fee.

Although MSD would be excluded from the definition of "spirits" (any beverage that contains alcohol obtained by distillation), mixed spirit drink generally would be regulated under the Act as spirits. For example, the bill would include MSD in provisions concerning submission to local electors of the question of selling spirits for on-premises consumption in a city, village, or township, or for on-premises consumption on Sunday in a county. On the other hand, for purposes of licensees' or applicants' filing a surety bond with the Commission, MSD manufacturers and outstate sellers would be subject to the provisions applicable to beer and wine manufacturers and outstate sellers. MSD also would be included in provisions that require the Commission to refund taxes on beer or wine that is sold to a military installation or on an Indian reservation or is lost or damaged.

In addition, the bill would require MSD manufacturers, outstate sellers of MSD, and mixed wine drink manufacturers to grant each of their wholesalers an exclusive sales territory.

Finally, the bill would amend the definition of "mixed wine drink" to refer to a drink containing less than 7%, rather than 8% or less, alcohol (which would conform to Public Acts 93 and 94 of 1989).

MCL 436.2 et al. Legislative Analyst: S. Margules

## FISCAL IMPACT

**The bill would result in a net cost to the State of approximately $19,000 in lost revenue, and would have no fiscal impact on local government.**

Total MSD sales were approximately $1,000,000 in FY 1987-88. The State received approximately $300,000 in revenue on their sales. The bill would change the State's revenue on MSD sales from the mark-up and taxes system used for spirits to a flat tax of $.48 per liter, plus sales tax. The estimated State revenue on the same level of MSD sales, estimated at 325,000 liters, would be $190,000 for a net loss in State revenue of $110,000.

The requirement that MSD manufacturers in the State pay a $100 license fee would generate approximately $1,000 additional annual revenue for the State. The requirement that outstate sellers of MSD pay a $300 license fee would generate approximately $90,000 additional annual revenue for the State, assuming that half the beer and wine wholesalers doing business currently requested a license.

Fiscal Analyst: J. Schultz