



**Senate Fiscal Agency**  
**P. O. Box 30036**  
**Lansing, Michigan 48909-7536**

BILL



ANALYSIS

**Telephone: (517) 373-5383**  
**Fax: (517) 373-1986**

House Bill 5840 (Substitute H-1 as passed by the House)

Sponsor: Representative Susan Munsell

House Committee: Regulatory Affairs

Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 12-4-96

## **CONTENT**

The bill would repeal the following acts and recodify their provisions in a new act entitled the "Michigan Liquor Control Code of 1996": the Michigan Liquor Control Act; Public Act 94 of 1959, which imposes a 4% specific tax on the retail price of spirits, proceeds of which are deposited in the State School Aid Fund; Public Act 218 of 1962, which imposes a 4% specific tax on the retail price of spirits, the proceeds of which are credited to the General Fund; Public Act 213 of 1972, which imposes a 1.85% specific tax on the retail price of spirits for off-premises consumption, the proceeds of which are credited to the Liquor Purchase Revolving Fund within the State Treasury; and the Tourism and Convention Facility Promotion Tax Act, which imposes a 4% specific tax on the retail price of spirits for consumption both on and off the premises, the proceeds of which are credited to the Convention Facility Development Fund within the State Treasury.

Following is a brief description of each of the chapters of the bill.

### **Chapter 1**

The chapter would consolidate the definitions found throughout the current Liquor Control Act.

### **Chapter 2**

The chapter would contain the terms for lawful manufacture, sale, possession, and transportation of alcoholic liquor; provide for the creation, and specify the powers and duties, of the Liquor Control Commission; establish a Liquor Purchase Revolving Fund; provide for the establishment of State liquor stores and uniform prices; and provide for the designation of specially designated distributors to sell spirits and mixed spirit drinks for off-premises consumption.

### **Chapter 3**

The chapter would create the Grape and Wine Industry Council; specify the business structure for transactions between wholesalers of wine and suppliers of wine; provide for the assignment of sales territories for wine wholesalers; and specify taxes on wine. The bill would delete a current tax discount for wines made from Michigan grapes.

#### Chapter 4

The chapter would prescribe the business structure for transactions between wholesalers of beer and beer suppliers; provide for exclusive sales territories for beer wholesalers; provide for the licensure of brewpubs; and specify taxes on beer.

#### Chapter 5

The chapter would provide for the issuance of liquor licenses, including licenses for sporting events, municipal golf courses, resorts, and municipal civic centers and auditoriums; the transfer of licenses; license fees; and classes of vendors.

#### Chapter 6

The chapter pertains to the licensure of wholesalers, and would prohibit manufacturers, warehousemen, outstate sellers of beer, wine, and mixed drink and other vendors from having a financial interest in the business of other vendors; specify conditions under which brewers could acquire property of other vendors; prohibit manufacturers, warehousemen, outstate sellers of beer, wine, and mixed drink, wholesalers and other vendors from being licensed as specially designated merchants or specially designated distributors; prohibit the giving of gifts, loans, and rebates to vendors by manufacturers, wholesalers, and others; and provide for tax refunds or credits to brewers, outstate sellers, wholesalers, and vendors under certain conditions.

#### Chapter 7

The chapter would prohibit the sale of alcoholic liquor to minors; provide for penalties for minors and liquor licensees who violated the prohibition; and provide for the detention of minors who violated the prohibition and notification of their parents or guardians. The bill would delete the requirement that 50% of the fines for violations be used for substance abuse programs.

#### Chapter 8

The chapter would require certain liquor licensees to post bonds; require retail licensees to provide proof of financial responsibility; specify procedures for actions for damages; specify the conditions for insurance policies; specify the defenses for responsible business practices; and provide for suits to enforce liability when service of process was not effected. The bill would delete provisions that allow the Liquor Control Commission to require retail licensees to obtain liability insurance in lieu of posting a bond.

#### Chapter 9

The chapter would prohibit anyone except licensees from trafficking in alcoholic liquor; prohibit the consumption or possession of alcoholic liquor in certain public places; provide for the suspension and revocation of licenses and specify criminal penalties for violations of the bill; and specify penalties for failure to pay taxes.

## Chapter 10

The chapter pertains to search warrants, false and fraudulent statements, adulterated and misbranded liquor, alcoholic liquor on armories, air bases, naval installations and State military reservations, the use of liquor as prizes, sales of liquor in hotel rooms, and consumption of liquor on unlicensed premises.

## Chapter 11

The chapter pertains to liquor sales on Sundays and at Christmas, sales of spirits and mixed spirit drinks for consumption on premises according to referendums, and submission of prohibition ordinances to electors.

## Chapter 12

The chapter includes the provisions concerning specific taxes on spirits that currently are contained in the acts that would be repealed by the bill.

Legislative Analyst: L. Burghardt

## **FISCAL IMPACT**

This bill would allow a person or organization affiliated with an umbrella organization to apply for a license separate from the license granted to the umbrella organization. According to the Liquor Control Commission, this change could increase the number of licenses granted, but the fee charged for approval and processing should be set at a rate that would offset any additional administrative costs incurred from these additional applications.

Fiscal Analyst: M. Tyszkiewicz