



SENATE BILL No. 240

February 7, 1995, Introduced by Senators GAST, MC MANUS, STILLE and SHUGARS and referred to the Committee on Economic Development, International Trade and Regulatory Affairs.

A bill to amend sections 2 and 16a of Act No. 8 of the Public Acts of the Extra Session of 1933, entitled as amended The Michigan liquor control act," as amended by Act No. 118 of the Public Acts of 1989, being sections 436.2 and 436.16a of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 2 and 16a of Act No. 8 of the Public
2 Acts of the Extra Session of 1933, as amended by Act No. 118 of
3 the Public Acts of 1989, being sections 436.2 and 436.16a of the
4 Michigan Compiled Laws, are amended to read as follows:

5 Sec. 2. For purposes of this act, the words and phrases
6 defined in this section and in sections 2a to 2z have the mean-
7 ings ascribed to them in those sections, unless the context shall
8 otherwise require:

1 (a) "Alcoholic liquor" means any spirituous, vinous, malt,
2 or fermented liquor, liquids and compounds, whether or not
3 medicated, proprietary, patented, and by whatever name called,
4 containing 1/2 of 1% or more of alcohol by volume which are fit
5 for use for beverage purposes. The commission shall define and
6 classify alcoholic liquor according to alcoholic content as
7 belonging to 1 of the varieties hereinafter defined.

8 (b) "Beer" means any beverage obtained by alcoholic ferment-
9 tation of an infusion or decoction of barley, malt, hops, or
10 other cereal in potable water.

11 (c) "Wine" means the product made by the normal alcoholic
12 fermentation of the juice of sound, ripe grapes, or any other
13 fruit with the usual cellar treatment, and containing not more
14 than 21% of alcohol by volume, including fermented fruit juices
15 other than grapes, ~~and~~ mixed wine drinks, AND DOMESTIC BRANDY.

16 (d) "Spirits" means any beverage which contains alcohol
17 obtained by distillation, mixed with potable water or other sub-
18 stances, or both, in solution, and includes wine containing an
19 alcoholic content of more than 21% by volume, except sacramental
20 wine, DOMESTIC BRANDY, and mixed spirit drink.

21 (e) "Alcohol" means the product of distillation of fermented
22 liquid, whether or not rectified or diluted with water, but does
23 not mean ethyl or industrial alcohol, diluted or not, that has
24 been denatured or otherwise rendered unfit for beverage
25 purposes.

26 (f) "Sacramental wine" means wine containing not more than
27 24% of alcohol by volume which is used for sacramental purposes.

1 (g) "Brandy" means an alcoholic liquor as defined in the
2 federal regulations, 27 C.F.R. 5.22(d) (1980).

3 (h) "Mixed wine drink" means a drink or similar product
4 marketed as a wine cooler and containing less than 7% alcohol by
5 volume, consisting of wine and plain, sparkling, or carbonated
6 water and containing any 1 or more of the following:

7 (i) Nonalcoholic beverages.

8 (ii) Flavoring.

9 (iii) Coloring materials.

10 (iv) Fruit juices.

11 (v) Fruit adjuncts.

12 (vi) Sugar.

13 (vii) Carbon dioxide.

14 (viii) Preservatives.

15 (i) "Mixed spirit drink" means a drink produced and packaged
16 or sold by a mixed spirit drink manufacturer or an outstate
17 seller of mixed spirit drink which contains 10% or less alcohol
18 by volume consisting of distilled spirits mixed with nonalcoholic
19 beverages or flavoring or coloring materials and which may also
20 contain water, fruit juices, fruit adjuncts, sugar, carbon diox-
21 ide, or preservatives.

22 (J) "DOMESTIC BRANDY" MEANS BRANDY MANUFACTURED IN THE
23 UNITED STATES.

24 Sec. 16a. (1) There shall be levied and collected by the
25 commission on all wines containing 16% or less of alcohol by
26 volume sold in this state and manufactured from grapes or fruits
27 not grown in this state, a tax at the rate of 13.5 cents per

1 liter if sold in bulk and in a like ratio if sold in smaller quantities.

3 (2) There shall be levied and collected by the commission on
4 all wines containing more than 16% of alcohol by volume sold in
5 this state a tax at the rate of 20 cents per liter if sold in
6 bulk and in a like ratio if sold in smaller quantities.

7 (3) The commission shall reduce by 12.5 cents per liter the
8 tax specified in subsection (1) and shall reduce by 19 cents per
9 liter the tax specified in subsection (2) on all wines manufac-
10 tured in Michigan from grapes grown in Michigan, for which the
11 wineries, blenders, or rectifiers have paid the Michigan grape
12 growers \$100.00 per ton, or more, at the shipping point, the
13 buyer furnishing at his or her expense all necessary packages or
14 containers and paying transportation charges beyond the shipping
15 point. Not less than \$100.00 of the minimum payment specified in
16 this subsection shall be paid in cash by December 15 of the year
17 in which the grapes are delivered. The remainder of the minimum
18 payment shall be made by a promissory note payable without inter-
19 est before April 16 of the year following the delivery of the
20 grapes. The tax shall also be reduced as provided in this sub-
21 section on all wines manufactured in Michigan from Michigan grown
22 fruits, other than grapes, and also on these wines when blended
23 with wine or wine spirits manufactured in Michigan and also
24 blended with wine or wine spirits manufactured from grapes and
25 fruits not grown in Michigan, when the blend does not use in the
26 finished product over 25% in volume of wine or wine spirits
27 manufactured outside the state of Michigan. All wines not

1 manufactured and not entitled to tax reduction as provided in
2 this section shall be subject to and shall pay to the commission
3 the full amount of tax as provided in this act. Every Michigan
4 winery, as a condition precedent to the commission having juris-
5 diction to grant or recognize any claim for tax reduction shall,
6 on or before December 15 of each year, when Michigan grapes are
7 purchased, file with the commission a detailed and sworn state-
8 ment showing the date, place of delivery, and amount of grapes
9 purchased of Michigan grape growers, and the name and address of
10 the Michigan growers from whom the purchases are made, together
11 with a sworn statement that the grapes have been paid for at the
12 price and manner provided for in this act, and that this act has
13 been fully complied with. The commission may promulgate other
14 necessary and proper rules as in the opinion of the commission
15 will prevent tax evasion or allow wineries tax reduction on more
16 liters of wine than would ordinarily be produced and manufactured
17 from the tonnage purchased and on which tax reduction could
18 legally be claimed.

19 (4) All sacramental wines shall be nontaxable when used by
20 churches and sacramental wines may be imported and the commission
21 shall not impose restrictions on importations of wine for sacra-
22 mental purposes but may promulgate rules as will prevent any
23 abuses which result from the importations. A wholesaler or an
24 outstate seller of wine may sell sacramental wine directly to a
25 church for sacramental purposes.

26 (5) The commission shall levy and collect on all mixed
27 spirit drink sold in this state a tax at the rate of 48 cents per

1 liter if sold in bulk or a like ratio if sold in smaller quantities.

3 (6) THE COMMISSION SHALL LEVY AND COLLECT ON ALL DOMESTIC
4 BRANDY SOLD IN THIS STATE A TAX AT THE RATE OF \$1.12 PER LITER IF
5 SOLD IN BULK OR A LIKE RATIO IF SOLD IN SMALLER QUANTITIES.

6 (7) ~~(6)~~ On approval by the commission, the corporation and
7 securities bureau shall incorporate a limited number of farm
8 mutual cooperative wineries as, in the judgment of the commis-
9 sion, will be beneficial to the Michigan grape and fruit
10 industry. These wineries shall be licensed under this act and
11 the payment of 1 license fee annually by the corporation shall
12 authorize wine making on the premises of the corporation and also
13 on the premises of the grape and fruit growing farmers who are
14 members of or stockholders in the corporation. The stockholders
15 or members, on incorporation of a farmers' cooperative corpora-
16 tion as provided for in this section shall be certified to be
17 Michigan grape and fruit growing farmers. Wine making by cooper-
18 ative corporations on farm premises is allowed but all sales of
19 the wine shall be made by the corporation and from the corpora-
20 tion premises.

21 ~~(7) The commission may sell any existing inventory of mixed~~
22 ~~spirit drink and any mixed spirit drink which is on order as of~~
23 ~~the effective date of the 1989 amendatory act that amended this~~
24 ~~section to any vendor who holds a license to sell mixed spirit~~
25 ~~drink at wholesale or retail. Prices for mixed spirit drink sold~~
26 ~~pursuant to this subsection shall be established by the~~
27 ~~commission.~~

1 (8) THE COMMISSION MAY SELL ANY EXISTING INVENTORY OF
2 DOMESTIC BRANDY AND ANY DOMESTIC BRANDY WHICH IS ON ORDER AS OF
3 THE EFFECTIVE DATE OF THE 1995 AMENDATORY ACT THAT AMENDED THIS
4 SECTION TO ANY VENDOR WHO HOLDS A LICENSE TO SELL DOMESTIC BRANDY
5 AT WHOLESALE OR RETAIL. PRICES FOR DOMESTIC BRANDY SOLD PURSUANT
6 TO THIS SUBSECTION SHALL BE ESTABLISHED BY THE COMMISSION.