

# Legislative Analysis



## CREATE CATERING PERMIT FOR OFF-PREMISES SALES OF ALCOHOL BY ON-PREMISES LICENSEES

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### Senate Bill 50

**Sponsor: Sen. Shirley Johnson**

**House Committee: Regulatory Reform**

**Senate Committee: Economic Development, Small Business and Regulatory Reform**

**Complete to 7-25-06**

### A SUMMARY OF SENTATE BILL 50 AS PASSED BY THE SENATE 6-8-06

In general, a Specially Designated Distributor license (SDD) is needed to sell spirits to a consumer for off-premises consumption and Specially Designated Merchant (SDM) licensees can sell beer and wine. A different license is needed to sell alcohol for on-premises consumption. Holders of a Class C or Class B hotel license, such as restaurants and large hotels, can sell beer, wine, and spirits for consumption only on the licensed premises and holders of a tavern license or Class A hotel license can sell beer and wine.

Senate Bill 50 would add a new section to the Michigan Liquor Control Code to create a blended permit for catering whereby an on-premises licensee could also sell beer, wine, and spirits for off-premises consumption, under certain conditions. An on-premises licensee who was licensed to sell beer, wine, or spirits for on-premises consumption only, and who was also licensed as a food service establishment under the Food Law of 2000, would be eligible for a catering permit (in general, Class C, tavern, and Class A and B hotel licensees). A catering permit would enable the permit holder to sell and deliver beer, wine, or spirits – in the original sealed container – to a person for off-premises consumption so long as the sale was not by glass or drink and required the permit holder to provide the service of the spirits.

The commission could not issue a catering permit to an applicant whose food service establishment delivered beer, wine, and spirits but did not provide for the service of the alcohol. Issuance of a catering permit would not allow the permit holder to deliver beer, wine, or spirits without serving the beer, wine, and spirits.

The bill would specify the following:

- The Liquor Control Commission could issue a catering permit to a public on-premises licensee (e.g., this would exclude clubs) as a supplement to the on-premises license. The permit would allow the on-premises licensee to sell and deliver wine, beer, and spirits in the original sealed container to off-premises locations.
- A catering permit would require the holder to provide for service of the beer, wine, or spirits at the private event where the alcoholic beverages could not be resold to guests.

- Spirits sold by a catering permit holder could not be sold at less than the minimum retail price fixed by the Liquor Control Commission under commission rules for package liquor stores (SDD licensees).
- There would be no restriction on the number of catering permits that could be issued within any local unit of government.
- The holder of a catering permit could use the permit at multiple locations and events during the same time period.
- The holder of a catering permit could also sell beer, wine, and spirits to a person who had obtained a special license under Section 527 of the code. (Section 527 allows non-profit charitable organizations to obtain a special license exempt from the payment of taxes under the Internal Revenue Code for the purpose of selling, at auction, wine donated to the organization.)
- The holder of a catering permit would be subject to all sanctions, liabilities, and penalties provided under the liquor code or under law.

The initial application and processing fee would be \$70 and the permit fee would be \$300. The on-premises licensee could renew the permit annually for \$300 at the same time the on-premises license was renewed.

#### **FISCAL IMPACT:**

The Liquor Control Commission's Annual Report for Fiscal Year 2005 indicates there were approximately 7,400 on-premise licensees who would be eligible for the catering permit created under this bill. The number of licensees who would elect to purchase the \$300 permit and also pay the \$70 application fee is not currently determinable. However, it seems likely that this bill will increase State of Michigan liquor license revenue by at least \$300,000 annually. This revenue should be sufficient to offset any additional administrative costs.

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