

Legislative Analysis



REPEAL OFF-PREMISES LIQUOR TAX

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Senate Bill 331

Sponsor: Sen. Joe Hune

House Committee: Regulatory Reform

Senate Committee: Regulatory Reform

Complete to 6-14-11

A SUMMARY OF SENATE BILL 331 AS PASSED BY THE SENATE 6-1-11

This bill would repeal Section 1205 of the Liquor Control Code, which imposes a 1.85% tax on the retail sale price of spirits for off-premises consumption. Under Section 1205 the Liquor Control Commission is required to collect the specific tax at the time it sells the liquor and to deposit the proceeds into the State Treasury's Liquor Purchase Revolving Fund.

The bill would make a complementary amendment to Section 229 to delete a reference to the section being repealed. Section 229 contains a definition of "minimum retail selling price" as the retail selling price plus the specific taxes imposed in Sections 1201, 1203, 1205, and 1207." The bill would delete the reference to Section 1205.

MCL 436.1229 and 2205

FISCAL IMPACT:

The 1.85% specific tax generates approximately \$14.0 million annually and is credited to the Liquor Purchase Revolving Fund (LPRF), which the Liquor Control Commission uses to replenish, maintain, warehouse, and distribute liquor stock throughout the state and for operations to administer the Liquor Control Code. Pursuant to Section 221 of the Liquor Control Code (MCL 436.1221) and Section 435 of the Management and Budget Act (MCL 18.1435), the "net income" from the LPRF at the end of a fiscal year is transferred to the General Fund. Given this flow of funds, by eliminating the 1.85% specific tax, Senate Bill 331 would effectively reduce General Fund/General Purpose Revenue by approximately \$14.0 million annually.

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