



Senate Fiscal Agency
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House Bills 4709 and 4710 (as passed by the House)
House Bill 4711 (Substitute H-1 as passed by the House)
Sponsor: Representative Kevin Cotter (H.B. 4709)
Representative Peter MacGregor (H.B. 4710)
Representative Andy Schor (H.B. 4711)
House Committee: Regulatory Reform
Senate Committee: Regulatory Reform

Date Completed: 3-5-14

CONTENT

The bills would amend the Michigan Liquor Control Code to revise provisions concerning micro brewers and brewpubs.

House Bill 4709 would change the definition of "micro brewer" to refer to a brewer that makes less than 60,000 barrels of beer per year, rather than less than 30,000 barrels.

House Bill 4710 would allow a brewpub to have an interest in up to five other brewpubs (rather than up to two), as long as the combined production of all locations did not exceed 18,000 barrels of beer per year (rather than 5,000 barrels).

House Bill 4711 (H-1) would allow a brewer not licensed as a micro brewer to sell its beer for on-premises consumption at up to two locations on its licensed brewery premises, rather than at just one location.

A more detailed description of the bills follows.

House Bill 4709

Currently, a micro brewer is a brewer that produces less than 30,000 barrels of beer per year and that may sell the beer to consumers at the licensed brewery premises for consumption on or off the premises. Under the bill, a micro brewer would be a brewer that produced less than 60,000 barrels of beer per year for sale to consumers at the licensed brewery premises for consumption on or off the premises.

In determining the threshold, all brands and labels of a brewer, whether brewed in Michigan or outside of this State, must be combined and all facilities for the production of beer that are owned or controlled by the same person must be treated as a single facility.

House Bill 4710

The Code allows a brewpub to have an interest in up to two other brewpubs, if the combined production of all the locations in which the brewpub has an interest does not exceed 5,000 barrels of beer per calendar year. The bill would allow a brewpub to have an

interest in up to five other brewpubs, if their combined production did not exceed 18,000 barrels of beer per calendar year.

The Code defines "brewpub" as a license issued in conjunction with a Class C, tavern, Class A hotel, or Class B hotel license, authorizing the licensee to manufacture and brew not more than 5,000 barrels of beer per calendar year in Michigan and sell the beer produced at those licensed premises for consumption on or off the licensed brewery premises. (Each of the other types of licenses allows the sale of beer and wine, or beer, wine, and spirits, for on-premises consumption.)

House Bill 4711 (H-1)

The Code allows a brewer that is not licensed as a micro brewer to sell its beer for on-premises consumption at not more than one location in Michigan that is on any of its licensed brewery premises. Under the bill, such a brewer could sell its beer for on-premises consumption at not more than two locations in Michigan that were on any of its licensed brewery premises where the brewer engaged in the production of beer. A brewer that had more than one licensed brewery premises could sell beer that it had produced at one licensed brewery premises at any of its other licensed brewery premises.

The bill would define "engages in the production of beer" as the full and complete brewing process and not just a portion of the brewing process.

The Code defines "brewer" as a person located in Michigan that is licensed to manufacture and sell the beer it produces to licensed wholesalers.

MCL 436.1109 (H.B. 4709)
436.1603 (H.B. 4710)
436.1411 (H.B. 4711)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

House Bill 4709

The bill would have a minor, but likely positive, fiscal impact on the Department of Licensing and Regulatory Affairs and State General Fund/General Purpose revenue, and no fiscal impact on local units of government. The bill would increase the number of barrels of beer that micro brewers may produce in a year from 30,000 to 60,000. Under current law, micro brewer license-holders pay a \$50 annual license fee for the first 15,000 barrels and \$50 for every 1,000 barrels produced thereafter, for an implicit annual maximum fee of \$800 for a microbrewery that produces 30,000 barrels. The bill would raise this implicit maximum fee to \$2,300 for a micro brewer that produced the 60,000-barrel maximum under the bill. As of June 2013, there were 92 micro brewer licenses active in the State. It is unknown how many of these micro brewers produce near the current maximum allowed. To the extent that the bill would allow micro brewers at or near the current maximum to expand production, the bill could result in additional license revenue. Assuming that any beer produced under the new maximum established in the bill was sold to a wholesaler in Michigan, the bill also could generate additional beer excise tax revenue at the rate of \$6.30 per barrel. All beer excise tax revenue is credited to the State's General Fund.

House Bill 4710

The bill would have a minor, but likely positive, fiscal impact on State General Fund/General Purpose revenue, and no fiscal impact on local units of government. To the extent that allowing brewpubs to operate additional locations and produce more beer caused brewpubs

to sell more beer, the bill could generate additional beer excise tax revenue at the rate of \$6.30 per barrel. All beer excise tax revenue is credited to the State's General Fund.

House Bill 4711 (H-1)

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Josh Sefton

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.