

SDM LICENSES & GAS STATIONS: ELIMINATE INVENTORY REQUIREMENT IN CERTAIN AREAS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4074 (reported from committee as H-2)

Sponsor: Rep. Scott Dianda

Committee: Regulatory Reform

Complete to 5-6-15

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Under the Michigan Liquor Control Code, there are a number of exceptions to the general prohibition against holding a specially designated merchant (SDM) license while selling motor fuel at the same location. House Bill 4074 modifies one of those exceptions. An SDM license allows for the sale of beer and wine for off-premises consumption (such as in grocery stores and convenience stores).

The bill would eliminate, in certain low-density geographic areas of the state, the requirement that licensees and applicants located in smaller communities maintain at least \$10,000 in qualified inventory in order to hold an SDM license while owning or operating motor vehicle fuel pumps on or adjacent to the premises.

Currently, under Section 541 of the code, the Liquor Control Commission cannot prohibit SDM licensees and applicants from owning or operating motor vehicle fuel pumps on, or adjacent to, the licensed premises if both of the following conditions are met:

- The license holder or applicant is (1) located in a city, incorporated village, or township with a population of 3,500 or less within a county with a population of 31,000 or more; OR (2) is located in a city, incorporated village, or township with a population of 4,000 or less within in a county with a population under 31,000.
- The applicant or licensee maintains a minimum inventory on the premises of at least \$10,000, at cost, of those goods and services customarily marketed by approved types of businesses. Alcoholic liquor and motor vehicle fuel are not counted toward this total.

House Bill 4074 would bar the commission from prohibiting an SDM holder from owning or operating a motor vehicle fuel pump on, or adjacent to, the licensed premises if all of the following are met:

- The licensee is located in a township with a population density of less than 4 people per square mile and a county with a population density of less than 11 per square mile.
- The fuel tank that holds the fuel for the fuel pump is aboveground.
- The licensee was issued the SDM license before the licensee sells fuel to its customers.

FISCAL IMPACT:

HB 4074 would have a nominal fiscal impact on the Liquor Control Commission (LCC) to the extent that the LCC would process a likely small number of additional SDM licenses and collected the annual fee associated with the licenses.

BACKGROUND AND DISCUSSION:

According to testimony presented in committee, the intent of the legislation is to encourage existing business owners in the most sparsely populated parts of the state to be able to add fuel pumps, if desired. By eliminating the \$10,000 inventory minimum for these retailers located in these smallest communities, supporters of the bill hope to make fuel more accessible for residents and tourists who are passing through these areas.

POSITIONS:

The following indicated support for the bill:

The Michigan Beer & Wine Wholesalers (4-29-15)
Associated Petroleum Industries of Michigan (4-22-15)
The Michigan Grocers Association (4-22-15)

The Michigan Liquor Control Commission has no position on the bill. (4-29-15)

Legislative Analyst: Josh Roesner
Fiscal Analyst: Paul Holland

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.