



**Senate Fiscal Agency**  
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**BILL ANALYSIS**



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Senate Bill 662 (Substitute S-1 as passed by the Senate)  
Sponsor: Senator Rick Jones  
Committee: Regulatory Reform

Date Completed: 2-1-18

**RATIONALE**

For decades, private veterans clubs and fraternal organizations, such as the American Legion, Veterans of Foreign Wars of the United States, Eagles, Moose, Elks, and Knights of Columbus, have allowed members to purchase alcoholic beverages at other Michigan clubs of the same national affiliate. However, the Michigan Liquor Control Commission recently determined that, under its interpretation of the Michigan Liquor Control Code, a club license holder may sell alcoholic beverages only to members of that particular post or location. It has been suggested that the law should allow these types of clubs to serve alcohol to any affiliated member.

**CONTENT**

**The bill would amend the Michigan Liquor Control Code to define "bona fide members" as that term pertains to the sale of alcohol under a club license.**

A club license allows the licensee to sell, for consumption on a licensed premises, beer, wine, mixed spirit drinks, and spirits only to bona fide members of the club who have attained the age of 21 years.

The bill would define "bona fide member" as an individual admitted as a charter member or admitted in accordance with the bylaws of the club, who maintains current membership by the payment of annual dues, whose name and address are entered on the list of members, and who has voting rights to regularly elect the board of directors, officers, executive committee, or similar body that conducts the affairs and management of the club.

For an incorporated or unincorporated nonprofit veterans' organization that is a branch or charter of a national organization or an organization chartered by the U.S. Congress, a bona fide member would include a member of another branch or chapter who possesses an ID card indicating current membership in the same national or congressionally chartered veterans' organization.

For a branch, chapter, lodge, aerie, or other local unit of a national fraternal nonprofit association that is exempt from Federal income taxation under Section 501(c)(8) or 501(c)(10) of the Internal Revenue Code, a bona fide member would include a member of another branch, chapter, lodge, aerie, or other local unit who possesses an ID card indicating current membership in the same national fraternal nonprofit association.

(Section 501(c)(8) of the Internal Revenue Code exempts from Federal taxation fraternal beneficiary societies, orders, or associations that fulfill both of the following:

- Operate under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system.
- Provide for the payment of life, sick, accident, or other benefits to its members or their dependents.

Section 501(c)(10) exempts from Federal taxation domestic fraternal societies, orders, or associations operating under the lodge system that fulfill both of the following:

- Devote net earnings exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes.
- Do not provide for the payment of life, sick, accident, or other benefits.

The Liquor Control Code defines "club" as a nonprofit association, whether incorporated or unincorporated, organized for the promotion of some common purpose, the object of which is owning, hiring, or leasing a building, or space in a building, of an extent and character as in the judgment of the Liquor Control Commission may be suitable and adequate for the reasonable and comfortable use and accommodation of its members and their guests. The term does not include an association organized for a commercial or business purpose.)

The bill would take effect 90 days after it was enacted.

MCL 436.1532

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Currently, State law requires an out-of-town veteran visiting a local club to rely on a member of that local club to purchase a beer, glass of wine, or mixed drink. Under the bill, veterans would have the freedom and flexibility to buy themselves an alcoholic beverage if they visited friends or other veterans at another club location. Veterans have made tremendous sacrifices for the nation and, at the very least, have earned the ability to order a drink when they visit fellow veterans at clubs in other cities.

Also, the bill would have a positive impact on Michigan tourism. Many members of veterans clubs and fraternal organizations visit posts in Michigan when they travel. Local posts would see an increase in business and could put those dollars back into the communities that they support.

Legislative Analyst: Stephen Jackson

### **FISCAL IMPACT**

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.