# Legislative Analysis

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

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

**BOND REQUIREMENTS IN THE LIQUOR CODE**

**Senate Bill 320 as reported from House committee**
**Sponsor: Sen. Peter MacGregor**
**1st House Committee: Regulatory Reform**
**2nd House Committee: Ways and Means**
**Senate Committee: Regulatory Reform**
**Complete to 11-6-19**

***(Enacted as Public Act 131 of 2019)***

## SUMMARY:

Senate Bill 320 would amend the Liquor Control Code to remove bonding requirements for certain licensees.

Section 801 of the code currently requires, as a condition of receiving a license, the following licensees or applicants to execute the following bonds:

- A manufacturer or outstate seller of beer, wine, or mixed spirit drink: a bond in the amount of $1,000 or an amount that is equal to 1/12 of the total beer, wine, or mixed spirit drink excise taxes paid to the state in the last calendar year, whichever is greater, for the faithful performance of the conditions of the license and for compliance with the code.
- A special license authorizing the sale for consumption on the premises of beer, wine, mixed spirit, or spirits: a bond in the amount of $1,000.

Senate Bill 320 would eliminate the above provisions and others that relate or refer to them.

The bill would also delete a provision requiring a bond "as the commission requires" from a person licensed to use alcohol in the manufacture of such things as flavor extracts, patent medicines, or toilet, medicinal, or antiseptic preparations or solutions.

MCL 436.1207 et seq.

## BRIEF DISCUSSION:

The bonds described above were set at $1,000 by 1980 PA 351.[1] Discussion of that legislation at that time indicated that there had been few defaults and that the state had not had to make use of this form of protection. Committee testimony in 2019 regarding SB 320 likewise suggested that the state has rarely, if ever, claimed on a bond. Supporters of the bill argue that, given this, the bonding requirements the bill would eliminate are outdated and ineffective and represent an unnecessary cost of doing business for licensees that offers no practical benefit to the state. Opponents of the bill argue that the bond requirements protect the state against the risk of a licensee's defaulting on tax or regulatory obligations and that eliminating them could leave the state without an avenue of recourse for recouping owed taxes or ensuring compliance with licensure requirements.

[1] 1980 PA 351 amended section 22 of the Michigan Liquor Control Act (1933 (Ex Sess) PA 8), the equivalent section of the Liquor Control Code's predecessor act. The bond amounts were incorporated into the Liquor Control Code when it was enacted in 1998.

## FISCAL IMPACT:

Senate Bill 320 is unlikely to have a significant fiscal impact on any unit of state or local government. The bill may reduce administrative costs for the Liquor Control Commission within the Department of Licensing and Regulatory Affairs (LARA) by a nominal amount.

## POSITIONS:

A representative of the Michigan Brewers Guild testified in support of the bill. (10-3-19)

The Michigan Liquor Control Commission indicated support for the bill. (10-3-19)

The Surety and Fidelity Association of America indicated opposition to the bill. (10-3-19)

Legislative Analyst: Rick Yuille
Fiscal Analyst: Marcus Coffin