

TASTING ROOMS

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Senate Bill 897 (H-1) as reported from House committee

Sponsor: Sen. Kimberly LaSata

1st House Committee: Regulatory Reform

2nd House Committee: Ways and Means

Senate Committee: Regulatory Reform

Complete to 12-4-20

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

SUMMARY:

Senate Bill 897 would amend the Michigan Liquor Control Code to allow a person to hold an on-premises tasting room permit and an off-premises tasting room license in conjunction at the same location under certain conditions.

Under the code, a person may be licensed as more than one type of manufacturer and, if the manufacturers are owned by the same person and their manufacturing premises share the same address, the manufacturers may jointly operate an on-premises tasting room or, if other than a brewer, micro brewer, or mixed spirit drink manufacturer, operate an off-premises tasting room.

The bill would allow an on-premises tasting room permit and an off-premises tasting room license to be held in conjunction at the same location by the same person if either of the following conditions were met:

- The person holds the on-premises tasting room permit in conjunction with a brewer or micro brewer license only (and no other manufacturing license) and the off-premises tasting room license at the same location.
- The person holds an on-premises tasting room permit in conjunction with a micro brewer, small distiller, or small wine maker license (or any combination of those licenses) and the off-premises tasting room license at the same location and the Michigan Liquor Control Commission issued to the person both the permit and the applicable licenses, or their equivalent at the time of issuance, before October 1, 2018.

MCL 436.1536

HOUSE COMMITTEE ACTION:

The House committees adopted and reported a “conflict substitute” for the bill that made no substantive changes but updated the section of the Liquor Control Code being amended to include changes made to that section by a recent amendatory act (2020 PA 126). Generally speaking, conflict substitutes resolve potential conflicts between different bills that amend the same section of law. Without a substitute that takes both bills into account, the last bill signed into law would overwrite and undo the changes made by the earlier bill.

BRIEF DISCUSSION:

The importation, production, distribution, and sale of alcoholic beverages are tightly regulated under Michigan law. In general, Michigan's three-tier system of regulation (manufacturers, distributors, and retailers) means that a person or business may be licensed in only one tier. Over the past decade, some exceptions have been made, particularly as the craft beverage industry has grown. As a result, the liquor laws have seen many amendments in recent years to keep up with the needs of Michigan businesses to stay competitive in the ever-changing liquor industry.

As the interest in craft beverages continues to expand, some businesses are diversifying into making beer and spirits, or spirits and wine, or all three, necessitating additional changes to the liquor laws. Senate Bill 897 would amend a law pertaining to products that may be sold at a tasting room. Under the bill, a manufacturer of spirits or wine (under a small distiller or small wine maker license) at one location could sell those products at a tasting room that is located on the premises of a brewer or micro brewer for which the person is also licensed. According to testimony, travel restrictions and other impacts associated with the COVID-19 pandemic have hit the industry hard. By allowing those small manufacturers who fit within the parameters of the bill the flexibility to offer all of their products at a single tasting room location, the bill may provide relief needed to survive in a challenging economic time.

However, some may see the exceptions created by the bill as a further erosion of the three-tier system.

FISCAL IMPACT:

Senate Bill 897 would not have an appreciable fiscal impact on any unit of state or local government.

POSITIONS:

A representative of the Round Barn Distillery testified in support of the bill. (9-10-20)

The following entities indicated support for the bill (9-10-20):

- Michigan Liquor Control Commission
- Michigan Beer and Wine Wholesalers Association

The Midwest Independent Retailers Association indicated opposition to the bill. (9-16-20)

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Marcus Coffin

■ 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.