

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 711

A bill to amend 1998 PA 58, entitled
"Michigan liquor control code of 1998,"
by amending section 109 (MCL 436.1109), as amended by 2018 PA 409,
and by adding section 504.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 109. (1) "Manufacture" means to distill, rectify,
2 ferment, brew, make, produce, filter, mix, concoct, process, or
3 blend an alcoholic liquor or to complete a portion of 1 or more of
4 these activities. Manufacture does not include bottling or the
5 mixing or other preparation of drinks for serving by those persons
6 authorized under this act to serve alcoholic liquor for consumption
7 on the licensed premises. In addition, manufacture does not include
8 attaching a label to a shiner. All containers or packages of



1 alcoholic liquor must state clearly the name, city, and state of
2 the bottler.

3 (2) "Manufacturer" means a person that manufactures alcoholic
4 liquor, whether located in or out of this state, including, but not
5 limited to, a distiller, a small distiller, a rectifier, a mixed
6 spirit drink manufacturer, a mixed wine drink manufacturer, a wine
7 maker, a small wine maker, a brewer, and a micro brewer.

8 (3) "Manufacturing premises" means the licensed premises of a
9 manufacturer where the manufacturer manufactures alcoholic liquor
10 or, for a small wine maker only, bottles wine.

11 (4) "Master distributor" means a wholesaler that acts in the
12 same or similar capacity as a brewer, wine maker, outstate seller
13 of wine, or outstate seller of beer for a brand or brands of beer
14 or wine to other wholesalers on a regular basis in the normal
15 course of business.

16 (5) "Micro brewer" means a brewer that manufactures in total
17 less than 60,000 barrels of beer per year and that may sell the
18 beer manufactured to consumers at the licensed brewery premises for
19 consumption on or off the licensed brewery premises and to
20 retailers as provided in section 203. In determining the 60,000-
21 barrel threshold, all brands and labels of a brewer, whether
22 manufactured in this state or outside this state, must be combined
23 and all facilities for the manufacturing of beer that are owned or
24 controlled by the same person must be treated as a single facility.

25 (6) "Minor" means an individual less than 21 years of age.

26 (7) "Mixed spirit drink" means a drink manufactured and
27 packaged or sold by a mixed spirit drink manufacturer or sold by an
28 outstate seller of mixed spirit drink to a wholesaler that contains
29 10% or less alcohol by volume consisting of spirits mixed with



1 nonalcoholic beverages or flavoring or coloring materials and that
2 may also contain 1 or more of the following:

- 3 (a) Water.
- 4 (b) Fruit juices.
- 5 (c) Fruit adjuncts.
- 6 (d) Sugar.
- 7 (e) Carbon dioxide.
- 8 (f) Preservatives.

9 (8) "Mixed spirit drink manufacturer" means ~~any~~ a person
10 licensed under this act to manufacture mixed spirit drink in this
11 state and to sell mixed spirit drink at retail in accordance with
12 section 537 or to a wholesaler. For purposes of rules promulgated
13 by the commission, a mixed spirit drink manufacturer ~~shall be~~ **is**
14 treated as a wine manufacturer but is subject to the rules
15 applicable to spirits for manufacturing and labeling.

16 (9) "Mixed wine drink" means a drink or similar product
17 marketed as a wine cooler that contains less than 7% alcohol by
18 volume, consists of wine and plain, sparkling, or carbonated water,
19 and contains any 1 or more of the following:

- 20 (a) Nonalcoholic beverages.
- 21 (b) Flavoring.
- 22 (c) Coloring materials.
- 23 (d) Fruit juices.
- 24 (e) Fruit adjuncts.
- 25 (f) Sugar.
- 26 (g) Carbon dioxide.
- 27 (h) Preservatives.

28 (10) "Outstate seller of beer" means a person licensed by the
29 commission to sell beer that has not been manufactured in this



1 state, or beer that the person purchased from a limited production
 2 manufacturer, to a wholesaler in this state in accordance with
 3 rules promulgated by the commission. As used in this subsection,
 4 "limited production manufacturer" means a person licensed under
 5 section 504.

6 (11) "Outstate seller of mixed spirit drink" means a person
 7 licensed by the commission to sell mixed spirit drink that has not
 8 been manufactured in this state to a wholesaler in this state in
 9 accordance with rules promulgated by the commission. For purposes
 10 of rules promulgated by the commission, an outstate seller of mixed
 11 spirit drink ~~shall be~~ is treated as an outstate seller of wine but
 12 is subject to the rules applicable to spirits for manufacturing and
 13 labeling.

14 (12) "Outstate seller of wine" means a person licensed by the
 15 commission to sell wine that has not been manufactured in this
 16 state to a wholesaler in this state in accordance with rules
 17 promulgated by the commission and to sell sacramental wine as
 18 provided in section 301.

19 **Sec. 504. (1) The commission may issue a limited production**
 20 **manufacturer license to a person that purchases beer from another**
 21 **brewer, micro brewer, or out-of-state equivalent of a brewer or**
 22 **micro brewer for purposes of taking ownership of the beer and**
 23 **performing any of the manufacturing process as described in section**
 24 **109(1) .**

25 (2) The commission shall charge an initial and renewal license
 26 fee for a license under this section of \$1,000.00.

27 (3) Notwithstanding section 204, a brewer, micro brewer, or
 28 out-of-state equivalent of a brewer or micro brewer may sell beer
 29 to a limited production manufacturer and a limited production



1 manufacturer may buy beer from a brewer, micro brewer, or an out-
2 of-state equivalent of a brewer or micro brewer if all of the
3 following conditions are met:

4 (a) The brewer, micro brewer, or out-of-state equivalent of a
5 brewer or micro brewer relinquishes ownership of the beer to the
6 purchasing limited production manufacturer.

7 (b) The limited production manufacturer modifies the beer by
8 performing all or part of the manufacturing process as described in
9 section 109(1).

10 (c) The brewer, micro brewer, or out-of-state equivalent of a
11 brewer or micro brewer notifies the commission in writing of the
12 sale and the amount of beer being sold to a purchasing limited
13 production manufacturer before each sale. The notification must be
14 in the form required by the commission.

15 (d) The brewer, micro brewer, or out-of-state equivalent of a
16 brewer or micro brewer and the limited production manufacturer
17 maintain records of the sale, in the manner required by the
18 commission, for 3 years.

19 (4) A limited production manufacturer may only sell beer to a
20 wholesaler or a person located outside of this state regardless of
21 whether the person is licensed under this act. Notwithstanding
22 section 109(10) or R 436.1609(2) of the Michigan Administrative
23 Code, beer sold by a limited production manufacturer to a person
24 located outside of this state that holds an outstate seller of beer
25 license may be sold to a wholesaler in this state by the outstate
26 seller of beer.

27 (5) A limited production manufacturer must not be licensed as
28 or hold a financial interest in another licensed supplier except
29 for purposes of purchasing beer in the manner allowed in this



1 section.

2 (6) A limited production manufacturer shall not hold a license
3 in the wholesaler tier or retailer tier as provided in section
4 603(13).

5 (7) Except as otherwise provided in this section, a limited
6 production manufacturer shall comply with all provisions of this
7 act that apply to the activities of a brewer, including, but not
8 limited to, sections 401, 403, 409, 603, and 609.

9 (8) A limited production manufacturer shall not self-
10 distribute.

11 (9) Before selling beer in this state to a wholesaler, a
12 limited production manufacturer shall register the beer and receive
13 a registration number of approval under R 436.1611 of the Michigan
14 Administrative Code.

15 (10) A limited production manufacturer must be the holder of a
16 federal brewer's notice issued by the United States Department of
17 Treasury, Alcohol and Tobacco Tax and Trade Bureau in accordance
18 with 27 CFR 25.61 to 25.85.

19 (11) As used in this section:

20 (a) "Limited production manufacturer" means a person licensed
21 under this section.

22 (b) "Supplier" means that term as defined in section 603.

