

SOCIAL DISTRICTS AND “COCKTAILS TO GO”

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Senate Bill 559 as passed by the Senate

Sponsor: Sen. Aric Nesbitt

House Committee: [Placed on second reading]

Senate Committee: Regulatory Reform [Discharged]

Revised 9-15-21

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

(Enacted as Public Act 64 of 2021)

SUMMARY:

Senate Bill 559 would amend the Michigan Liquor Control Code to extend by one day the sunset (expiration date) on provisions allowing for social districts and the sale of certain types of alcoholic beverages for off-premises consumption. The bill also would amend a section of the code to accelerate the effectiveness of changes made to that section by House Bill 4445, which was enacted as 2021 PA 29 but does not take effect until 90 days after the adjournment of the legislature at the end of 2021. That amendment, involving requirements for a motorsports event license under the code, is described in **Background**, below.

Social districts and cocktails-to-go

Currently, the code allows a *qualified licensee* to obtain a permit to sell and dispense alcohol to customers for consumption in the *commons area* of a social district, but only through December 31, 2024. The bill would extend the sunset by one day (through January 1, 2025), which would allow sales under this provision to continue through New Year’s Day.

Qualified licensee means either of the following:

- A retailer that holds a license, other than a special license, to sell alcoholic liquor for consumption on the licensed premises.
- A manufacturer that has an on-premises tasting room permit, off-premises tasting room license, or joint off-premises tasting room license issued under the code.

Commons area means an area within a social district that is clearly designated and clearly marked by the governing body of the local governmental unit and that is shared by and contiguous to the premises of at least two qualified licensees. A commons area does not include the licensed premises of any qualified licensee.

The code also allows a qualified licensee to fill and sell a container with alcoholic liquor for consumption off the licensed premises and deliver the container to a consumer in Michigan under certain conditions. Referred to by some as “cocktails to go,” this provision sunsets after December 31, 2025. The bill would extend the sunset to after January 1, 2026, which would also allow the sales to continue through New Year’s Day.

MCL 436.1518, 436.1537a, and 436.1551

BRIEF DISCUSSION:

Legislation was enacted in 2020 to allow local governments to create social districts, where customers can take alcoholic beverages purchased from adjacent establishments with a social district permit to a common area for consumption. It was hoped that the legislation would provide an economic boost for restaurants and bars then struggling in the initial months of the COVID-19 pandemic. Social districts enable smaller establishments and those without an outdoor seating area to serve a higher volume of customers. In addition, social districts provide a place where friends, family, and tourists can gather to enjoy food and drink in a safe manner.

The code also was amended to allow bars and restaurants, and manufacturers that hold tasting room permits and licenses, to sell cocktails under certain conditions, directly or by a delivery service. For example, a person ordering take-out service for pickup or delivery also can order a drink containing spirits, such as a gin and tonic or a margarita. The ability to order a favorite drink pairing with a favorite food for pickup or delivery has been welcomed by those who need or prefer to limit public outings.

However, the law allowing for social districts will end on New Year's Eve of 2024 at the stroke of midnight, and the provision allowing for cocktails to go will end at midnight on New Year's Eve of 2025. The bill would allow the provisions to continue for one more day, until midnight of New Year's Day of 2025 and 2026, respectively, to account for the fact that New Year's Eve celebrations generally don't wrap up by midnight and that New Year's Day is also a major holiday when family and friends might gather.

BACKGROUND:

Motorsports event licenses

Section 518 of the code addresses motorsports event licenses, which are issued to the owners of a motorsports entertainment complex to allow for the sale for on-premises consumption of beer, wine, spirits, and mixed spirit drinks. Among the requirements to qualify for a license, a motorsports entertainment complex must schedule a certain number of motorsports events each calendar year. House Bill 4445, enacted as 2021 PA 29, amended these provisions to reduce the number of required motorsports events in light of the effect on race weekends of the COVID-19 pandemic.

However, House Bill 4445 was not given immediate effect by the Senate and so will not take effect until after 90 days have passed following the legislature's final adjournment at the end of the year. (Bills without immediate effect typically take effect in late March of the following year.) As a result, the number of required motorsports events to qualify for a license would not be changed during 2021.

Senate Bill 559 includes section 518 of the code and would amend and enact the version of that section as it was enacted by House Bill 4445. That is, the Senate bill includes all of the changes that were made by the House bill. (Even though those changes have not yet taken into effect, they were enacted into law, so they are not shown in Senate Bill 559 as

bold insertions and stricken deletions.) As a result, if Senate Bill 559 were enacted with immediate effect, the provisions of House Bill 4445 would become effective at the same time. The additional change to section 518 that Senate Bill 559 would make (which does appear as a deletion and insertion) is stylistic only and would have no substantive effect.

FISCAL IMPACT:

Senate Bill 559 would not have a significant fiscal impact on any unit of state or local government. The provisions in the bill to extend the sunset pertaining to filling and selling containers for off-premises consumption and delivering to consumers would have no impact, since they apply to qualified licensees who already possess a license. Extending the sunset regarding social districts by a single day would not create any fiscal impact.

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■ 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.