Legislative Analysis

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LIQUOR RETAILER DISHONORED PAYMENTS

Senate Bill 731 (S-2) as reported from House committee
Sponsor: Sen. Roger Hauck

Senate Bill 732 (S-2) as reported from House committee
Sponsor: Sen. Paul Wojno

House Committee: Regulatory Reform
Senate Committee: Regulatory Affairs
Complete to 12-13-24

SUMMARY:

Senate Bills 731 and 732 would amend the Michigan Liquor Control Code to modify the penalties for retailers that have payments to wholesalers dishonored by a financial institution.

Currently, section 903b of the code makes it a violation for a retailer to make payments to a wholesaler, the Michigan Liquor Control Commission (MLCC), or the state that are dishonored by a financial institution for lack of sufficient funds.

Senate Bill 731 would amend the code to provide penalties for retailers that have payments dishonored in violation of section 903b. Specifically, the bill would allow wholesalers to require retailers to pay an administrative fee for each dishonored payment (within 12 months of the first violation for repeat offenses) as follows.

Violation	**Fee**
First	$50
Second	$100
Third	$150
Fourth	$200
Fifth and above	$250

The bill would also provide that having a dishonored payment to a wholesaler *for any reason* would be a violation, as opposed to the currently required *for lack of sufficient funds*. In addition, dishonored payments to the MLCC or the state would no longer be violations.

MCL 436.1903b

Senate Bill 732 would amend the code to require the MLCC to suspend a retailer's license if they have made at least six payments (on different dates) to a wholesaler that were dishonored by a financial institution in violation of section 903b within the last 12 consecutive months.

Proposed MCL 436.1804

BRIEF DISCUSSION:

According to committee testimony, the rise of electronic payments has increased the rate at which payments by retailers have been dishonored. The bills are intended to disincentivize this behavior and ensure that retailers are a responsible part of the alcohol industry.

FISCAL IMPACT:

Senate Bills 731 and 732 would have an indeterminate fiscal impact on the state.

Senate Bill 731 would require that retailers be considered in violation of the Liquor Control Code if a payment to a wholesaler is dishonored for any reason. Under current law, only dishonored payments due to insufficient funds are considered violations, so the revision would expand the potential for violations. This change could increase revenue from collected violation fines, but the amount of revenue would depend on the number of dishonored payments and whether the Michigan Liquor Control Commission opts to assess penalties provided for under section 903 of the code. Revenue collected from these violation penalties would be deposited into the state's general fund. The bill would also allow licensed wholesalers to assess administrative fees in accordance with a schedule established in the bill, though this revenue would be retained by the wholesaler and would therefore not impact the state.

Senate Bill 732 would require the MLCC to suspend a retailer's license if the retailer makes six or more dishonored payments. Examined jointly, the bills may result in additional administrative and enforcement costs for the MLCC, though the costs are likely to be modest. The bills would not have a fiscal impact on any other units of state or local government.

POSITIONS:

A representative of the Michigan Beer & Wine Wholesalers Association testified in support of the bills. (12-3-24)

The following entities indicated support for the bills:

- Anheuser-Busch (12-3-24)
- Great Lakes Wine & Spirits (12-10-24)

The following entities indicated a neutral position on the bills (12-3-24):

- Michigan Liquor Control Commission
- Department of Licensing and Regulatory Affairs

Michigan Alcohol Policy Promoting Health & Safety indicated opposition to the bills. (12-10-24)

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