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BILL ANALYSIS

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Senate Bill 87 (as passed by the Senate)
Sponsor: Senator Roger Hauck
Committee: Regulatory Affairs

Date Completed: 3-27-25

RATIONALE

According to testimony before the Senate Committee on Regulatory Affairs, an increasing number of incidents have been reported of retailers' payments to wholesalers "bouncing", or temporarily being dishonored by banks, as a regular part of doing business. Dishonored payments can hurt a wholesaler's ability to remit tax payments to the State and can cost wholesalers for processing those transactions. Some have argued that the State should deter retailers from defaulting on payments, and so it has been suggested that retailers face licensing sanctions for repeated dishonored payments.

CONTENT

The bill would amend the Liquor Control Code to require the Liquor Control Commission to suspend the license of a liquor retailer for 14 days if the retailer had made six or more payments to a wholesaler that had been dishonored by a financial institution in violation of the Code on different dates in 12 consecutive months.

Proposed MCL 436.1804

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is similar to Senate Bill 732 of the 2023-2024 Legislative Session. Senate Bill 732 passed the Senate and was reported by the House Committee on Regulatory Reform but received no further action.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Opposing Argument

If the bill were enacted, it would likely reduce the number of liquor licenses in municipalities that were over quota for liquor licenses. According to testimony before the Senate Committee on Regulatory Affairs, if a liquor license is revoked and a municipality is over its maximum quota of licenses, that license is permanently revoked. Therefore, if a retailer made six dishonored payments and its liquor license was revoked, it would not be able to regain that license, permanently taking away its ability to sell alcohol.

Opposing Argument

The bill would interfere with financing issues between two private parties. Instead of establishing punitive measures, the bill should establish a process that would allow these two private parties to settle a disagreement before the Commission temporarily revoked a liquor license and took away a retailer’s ability to do business. The bill should not be passed because it would allow the Commission to revoke a retailer’s ability to make a profit because of a dispute between private parties.

Response: The Liquor Control Code requires suppliers and wholesalers to establish a wholesaler's service territory, in which a wholesaler has the exclusive right to sell a supplier's brand to licensed retailers.[1] Therefore, wholesalers do not have a choice whether they do business with a retailer, so many private choices that could be made by wholesalers in other industries are not present in the beer, wine, and spirits industries. Since wholesalers have no recourse if retailers dishonor payments, the current regulatory structure fails to disincentivize retailers who are bad actors from harming wholesalers and gaming the system to their benefit.

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Analyst: Nathan Leaman

[1] MCL 436.1401, 436.1403, 436.1305, and 436.1307