

HOUSE BILL NO. 4403

April 29, 2025, Introduced by Reps. Wendzel, Kelly, Hoadley, Wilson and Glanville and referred to Committee on Regulatory Reform.

A bill to amend 1998 PA 58, entitled
"Michigan liquor control code of 1998,"
by amending sections 105 and 603 (MCL 436.1105 and 436.1603), as
amended by 2022 PA 226.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 105. (1) "Alcohol" means the product of distillation of
2 fermented liquid, whether or not rectified or diluted with water,
3 but does not mean ethyl or industrial alcohol, diluted or not, that
4 has been denatured or otherwise rendered unfit for beverage

1 purposes.

2 (2) "Alcohol vapor device" means any device that provides for
3 the use of air or oxygen bubbled through alcoholic liquor to
4 produce a vapor or mist that allows the user to inhale this
5 alcoholic vapor through the mouth or nose.

6 (3) "Alcoholic liquor" means any spirituous, vinous, malt, or
7 fermented liquor, powder, liquids, and compounds, whether or not
8 medicated, proprietary, **or** patented, and by whatever name called,
9 containing 1/2 of 1% or more of alcohol by volume that are fit for
10 use for food purposes or beverage purposes as defined and
11 classified by the commission according to alcoholic content as
12 belonging to 1 of the varieties defined in this chapter.

13 (4) "Alternating proprietorship" means 1 of the following:

14 (a) An arrangement in which 2 or more wine makers or small
15 wine makers take turns using the same space and equipment to
16 manufacture wine under section 603(9)(a) and in accordance with 27
17 CFR 24.136.

18 (b) An arrangement in which 2 or more brewers or micro brewers
19 take turns using the same space and equipment to manufacture beer
20 under section 603(9)(b) and in accordance with 27 CFR 25.52.

21 **(c) An arrangement in which 2 or more distillers or small**
22 **distillers take turns using the same space and equipment to**
23 **manufacture spirits under section 603(9)(c) and in accordance with**
24 **27 CFR 19.141.**

25 **(d) An arrangement in which 2 or more mixed spirit**
26 **manufacturers take turns using the same space and equipment to**
27 **manufacture mixed spirit drinks under section 603(9)(d) and in**
28 **accordance with 27 CFR 19.141.**

29 (5) "Approved tasting room" means a tasting room that is

1 approved by the commission. A licensee with an approved tasting
 2 room is not a retail licensee as that term is used in this act and
 3 the rules promulgated under this act except for sections 701, 801,
 4 803, 815, 905, and 906.

5 (6) "Authorized distribution agent" means a person approved by
 6 the commission to do 1 or more of the following:

7 (a) To store spirits owned by a supplier of spirits or the
 8 commission.

9 (b) To deliver spirits sold by the commission to retail
 10 licensees.

11 (c) To perform any function needed to store spirits owned by a
 12 supplier of spirits or by the commission or to deliver spirits sold
 13 by the commission to retail licensees.

14 (7) "Bar" means a barrier or counter at which alcoholic liquor
 15 is sold to, served to, or consumed by customers.

16 (8) "Beer" means a beverage obtained by alcoholic fermentation
 17 of an infusion or decoction of barley, malt, hops, sugar, or other
 18 cereal in potable water.

19 (9) "Bottle" or "bottling" means a process, separate from
 20 manufacturing, using owned or leased equipment to fill and seal a
 21 container, including a keg, with alcoholic liquor for sale at
 22 wholesale or retail in accordance with this act. Bottle or bottling
 23 does not include filling a growler for sale at retail.

24 (10) "Brand" means any word, name, group of letters, symbol,
 25 trademark, or combination, ~~thereof~~ **or any word, name, group of**
 26 **letters, symbol, trademark** adopted and used by a supplier to
 27 identify a specific beer, malt beverage, wine, mixed wine drink, or
 28 mixed spirit drink product and to distinguish that product from
 29 another beer, malt beverage, wine, mixed wine drink, or mixed

1 spirit drink product that is produced or marketed by that or
2 another supplier. As used in this subsection, "supplier" means a
3 brewer, micro brewer, an outstate seller of beer, a wine maker, a
4 small wine maker, an outstate seller of wine, a manufacturer of
5 mixed wine drink, an outstate seller of a mixed wine drink, a mixed
6 spirit drink manufacturer, or an outstate seller of mixed spirit
7 drink.

8 (11) "Brand extension" means any brand that incorporates all
9 or a substantial part of the unique features of a preexisting
10 brand, regardless of whether the extension is beer, wine, mixed
11 wine drink, or mixed spirit drink.

12 (12) "Brandy" means an alcoholic liquor as defined in **former**
13 27 CFR 5.22(d).

14 (13) "Brandy manufacturer" means a wine maker or a small wine
15 maker licensed under this act to manufacture brandy. A wine maker
16 or small wine maker authorized to manufacture brandy shall not
17 manufacture any other spirits. The commission may approve a brandy
18 manufacturer to sell brandy that it manufactures at retail in
19 accordance with section 537.

20 (14) "Brewer" means a person located in this state that is
21 licensed to manufacture beer and sell at retail in accordance with
22 section 537 and to licensed wholesalers beer manufactured by the
23 person.

24 (15) "Brewpub" means a license issued in conjunction with a
25 class C, tavern, class A hotel, or class B hotel license that
26 authorizes the person licensed with the class C, tavern, class A
27 hotel, or class B hotel **license** to manufacture and brew not more
28 than 18,000 barrels of beer per calendar year in this state and
29 sell at its licensed premises the beer produced for consumption on

1 or off the licensed brewery premises in the manner provided for in
2 sections 405, 407, and 537.

3 Sec. 603. (1) Except as provided in subsections (5) to (9),
4 subsections (14) to (16), and section 605, a supplier, warehouser,
5 or wholesaler shall not have any direct or indirect financial
6 interest in the establishment, maintenance, operation, or promotion
7 of the business of any other vendor.

8 (2) Except as provided in subsections (5) to (9), subsections
9 (14) to (16), and section 605, a supplier, warehouser, or
10 wholesaler or a stockholder of a supplier, warehouser, or
11 wholesaler shall not have any direct or indirect interest by
12 ownership in fee, leasehold, mortgage, or otherwise in the
13 establishment, maintenance, operation, or promotion of the business
14 of any other vendor.

15 (3) Except as provided in subsections (5) to (9), subsections
16 (14) to (16), and section 605, a supplier, warehouser, or
17 wholesaler shall not have any direct or indirect interest by
18 interlocking directors in a corporation or by interlocking stock
19 ownership in a corporation in the establishment, maintenance,
20 operation, or promotion of the business of any other vendor.

21 (4) Except as provided in subsections (5) to (9), subsections
22 (14) to (16), and section 605, a person shall not buy the stocks of
23 a supplier, warehouser, or wholesaler and place the stock in any
24 portfolio under an arrangement, written trust agreement, or form of
25 investment trust agreement, issue participating shares based on the
26 portfolio, trust agreement, or investment trust agreement, and sell
27 the participating shares within this state.

28 (5) The commission may approve a brandy manufacturer or small
29 distiller to sell brandy and spirits made by that brandy

1 manufacturer or small distiller in a restaurant for consumption on
2 or off the premises if the restaurant is owned by the brandy
3 manufacturer or small distiller or operated by another person under
4 an agreement approved by the commission and is located on premises
5 where the brandy manufacturer or small distiller is licensed.

6 Brandy and spirits sold for consumption off the premises under this
7 subsection must be sold at the uniform price established by the
8 commission.

9 (6) The commission shall allow a small distiller to sell
10 brands of spirits it manufactures for consumption on the licensed
11 premises at that distillery.

12 (7) A brewpub may have an interest in up to 5 other brewpubs
13 if the combined production of all the locations in which the
14 brewpub has an interest does not exceed 18,000 barrels of beer per
15 calendar year.

16 (8) This section does not prohibit a supplier from having any
17 direct or indirect interest in any other supplier.

18 (9) The commission may approve the following under R
19 436.1023(3) of the Michigan Administrative Code, subject to the
20 written approval of the United States Department of Treasury
21 Alcohol and Tobacco Tax and Trade Bureau:

22 (a) A wine maker participating with 1 or more wine makers in
23 an alternating proprietor operation in accordance with 27 CFR
24 24.136.

25 (b) A brewer participating with 1 or more brewers in an
26 alternating proprietor operation in accordance with 27 CFR 25.52.

27 **(c) A distiller or small distiller participating with 1 or**
28 **more distillers or small distillers in an alternating proprietor**
29 **operation in accordance with 27 CFR 19.141.**

(d) A mixed spirit manufacturer participating with 1 or more mixed spirit manufacturers in an alternating proprietor operation in accordance with 27 CFR 19.141.

(10) A manufacturer shall not have any direct or indirect interest in a wholesaler.

(11) A wine maker shall not collectively deliver wine, with any other wine maker, to retailers.

(12) Except for a warehouser, all licensees in this state must be separated into 3 distinct and independent tiers composed of the following:

(a) Supplier tier, comprising suppliers.

(b) Wholesaler tier, comprising wholesalers.

(c) Retailer tier, comprising retailers.

(13) Except as otherwise provided in subsection (14), the commission shall not allow any of the following:

(a) A retailer to hold, directly or indirectly, a license in the wholesaler or supplier tier.

(b) A wholesaler to hold, directly or indirectly, a license in the retailer or supplier tier.

(c) A supplier to hold, directly or indirectly, a license in the wholesaler or retailer tier.

(14) Subsection (13) does not prohibit a class C, tavern, class A hotel, or class B hotel licensee from receiving a brewpub license or a micro brewer or brewer from having an on-site restaurant.

(15) A person licensed in the supplier tier may manufacture a private label of beer, wine, or mixed spirit drink for a retailer if the commission determines that all the following requirements are met:

1 (a) The supplier registers the private label with the
2 commission as required under R 436.1611, R 436.1719, and R 436.1829
3 of the Michigan Administrative Code.

4 (b) The supplier, independent of the retailer's involvement,
5 appoints 1 or more wholesalers to distribute the private label as
6 required under section 307 or 401, as applicable. However, if the
7 supplier is a micro brewer, the supplier may distribute the private
8 label in accordance with section 203a.

9 (c) The supplier complies with and does not violate section
10 305 or 403, as applicable.

11 (d) The wholesaler engages in commercially reasonable efforts
12 to make the private label available to a retailer that places an
13 order for the private label beer, wine, or mixed spirit drink.

14 (e) An appointed wholesaler remains the wholesaler for the
15 private label and any brand extensions of the private label
16 regardless of whether the retailer switches the supplier that
17 manufactures the private label, unless the wholesaler is terminated
18 under section 305 or 403, as applicable.

19 (16) The commission shall not issue a wholesaler license to a
20 producer of nonalcoholic beverages or an entity that the producer
21 of nonalcoholic beverages has a direct or indirect ownership or
22 financial interest in, if the producer of nonalcoholic beverages or
23 the entity the producer of nonalcoholic beverages has a direct or
24 indirect ownership or financial interest in has a direct or
25 indirect ownership or financial interest in a person licensed in
26 the supplier tier.

27 (17) As used in this section:

28 (a) "Manufacturer" means, notwithstanding section 109(2), a
29 wine maker, small wine maker, brewer, micro brewer, manufacturer of

1 spirits, distiller, small distiller, brandy manufacturer, mixed
2 spirit drink manufacturer, direct shipper, ~~a~~-licensee with an
3 approved tasting room, or ~~a~~-person licensed by the commission to
4 perform substantially similar functions.

5 (b) "Private label" means a brand of beer, wine, or mixed
6 spirit drink that is manufactured by a supplier on behalf of a
7 retailer using the retailer's recipe or intellectual property.

8 (c) "Supplier" means a manufacturer, mixed spirit drink
9 manufacturer, outstate seller of beer, outstate seller of wine,
10 outstate seller of mixed spirit drink, ~~and-or~~ vendor of spirits or
11 a person licensed by the commission to perform substantially
12 similar functions, but does not include a master distributor.