

# Legislative Analysis

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## COLLECTION OF TAXES ON BEER, WINE, AND MIXED SPIRIT DRINKS

Mary Ann Cleary, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**Senate Bill 506 (Substitute S-1)**

**Senate Bill 507 (Substitute S-1)**

**Sponsor: Sen. Joe Hune**

**House Committee: Regulatory Reform**

**Senate Committee: Regulatory Reform**

**Complete to 12-2-13**

### **A SUMMARY OF SENATE BILLS 506 & 507 AS PASSED BY THE SENATE 11-7-13**

**Senate Bill 506** would amend the Liquor Control Code (at MCL 436.1409) to allow an in-state brewer or brewpub to designate its wholesaler to pay the \$6.30 per-barrel tax on beer that is manufactured or sold in the state. Currently, the code requires the tax to be paid by the in-state brewer or brewpub.

The bill would also allow a wholesaler designated to pay a brewer's beer tax to claim the \$2.00 per-barrel credit for the first 30,000 barrels that is currently available to eligible brewers.

Additionally, for beer manufactured outside the state, the bill would require the tax to be paid by the wholesaler that is assigned to distribute the beer, and the tax would be levied and collected on the number of barrels the wholesaler actually sold.

Also under the bill, the Liquor Control Commission could not require the tax to be paid more frequently than once per quarter.

**Senate Bill 507** would amend the Liquor Control Code (at MCL 436.1301) to provide for a new method of collecting taxes levied on the sale of wine and mixed spirit drinks.

Under the bill, for wine manufactured in Michigan, the tax would have to be paid by the wine maker that manufactured the wine unless the wine maker designated the wholesaler to pay the tax on its behalf. For wine manufactured outside the state, the tax would have to be paid by the wholesaler assigned to distribute the wine.

For mixed spirit drinks manufactured in Michigan, the tax would have to be paid by the manufacturer unless it designates the wholesaler to pay the tax on its behalf. For mixed spirit drinks manufactured outside the state, the tax would be paid by the wholesaler assigned to distribute the mixed spirit drink.

Wholesalers that are responsible for the payment or are designated to pay the taxes on behalf of the manufacturer would only be required to pay the tax on the number of liters of wine or mixed spirit drink actually sold by the wholesaler.

The LCC would also be required to establish by rule a method to collect these taxes. However, the LCC would not require the tax to be paid more often than quarterly.

[Currently, the Liquor Control Commission (LCC) levies a tax of 13.5 cents per liter on wine that is 16% or less alcohol by volume and sold in bulk and 20 cents per liter for wine that is more than 16% alcohol by volume. The LCC levies a 48 cents per-liter tax on mixed spirit drinks if sold in bulk.]

The bills are tie-barred to Senate Bills 504, 650, and 651, and to House Bills 4709-4711 and House Bill 4277, all of which make amendments to the Liquor Control Code.

### **FISCAL IMPACT:**

Senate Bills 506 and 507 would have an indeterminate, yet likely small, fiscal impact on the Liquor Control Commission to the extent that: (1) administrative costs would be affected by altering the entities that pay excise taxes, how the taxes are levied, and how often those taxes are collected; and (2) quarterly excise tax collections would nominally but negatively affect the amount of interest accrued on revenue generated by excise taxes, which are currently collected monthly or semi-monthly.

Legislative Analyst: Jeff Stoutenburg  
Fiscal Analyst: Paul Holland

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.