

# Legislative Analysis



## CLUB LIQUOR LICENSE: DEFINE “MEMBER”

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

House Bill 5260 (H-1) as reported from committee  
Sponsor: Rep. Tom Barrett

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

Senate Bill 662 as reported from committee w/o amendment  
Sponsor: Sen. Rick Jones

*(SB 662 enacted as Public Act 104 of 2018)*

House Committee: Regulatory Reform  
Senate Committee: Regulatory Reform (SB 662)

Complete to 3-5-18

**BRIEF SUMMARY:** House Bill 5260 and Senate Bill 662, which are identical, would each amend a provision in the Michigan Liquor Control Code to allow members of clubs such as the Benevolent and Protective Order of Elks, the Loyal Order of Moose, and veteran’s organizations, e.g., the Veterans of Foreign Wars (VFW), to consume alcohol at a branch or affiliate of the same organization.

**FISCAL IMPACT:** Neither House Bill 5260 nor Senate Bill 662 would have a fiscal impact on any unit of state or local government.

### **THE APPARENT PROBLEM:**

Recently, members of veterans’ organizations in the state discovered that under current laws governing club liquor licenses, a member of a fraternal or veteran’s organization can only purchase alcoholic beverages on the premises of the local branch at which he or she is a member. For example, a person who is a member of a post or lodge in one community cannot purchase a beer or glass of wine at a post or lodge of the same organization that has a post or lodge located in a different community. This means that when members are on vacation or visiting friends in the same organization but in a different town, they must rely on the kindness of the local members to purchase an alcoholic beverage for them. Legislation has been offered to revise the requirements of a club liquor license so that a person could purchase alcohol at any of the locations in the state at which the organization to which he or she belongs has a club liquor license.

### **THE CONTENT OF THE BILLS:**

Currently, a club license allows the licensee to sell beer, wine, mixed spirit drink, and spirits for consumption on the licensed premises only to *bona fide members* of the club who are at least 21 years of age.

House Bill 5260 and Senate Bill 662, which are identical, would revise the Michigan Liquor Control Code to specify that *bona fide member* means an individual admitted as a

charter member or admitted in accordance with a club's bylaws who meets all of the following:

- He or she maintains current membership by paying annual dues.
- His or her name and address are entered on the list of members.
- He or she has voting rights to regularly elect the board of directors, officers, executive committee, or similar body that conducts the affairs and management of the club.

Similarly, for an incorporated or unincorporated nonprofit veteran's organization that is a branch or chapter of a national or congressionally chartered organization, a *bona fide member* would include a member of another branch or chapter who possesses an identification card indicating current membership in the same national or congressionally chartered veterans' organization.

For a branch, chapter, lodge, aerie, or other local unit of a national fraternal nonprofit association that is exempt from federal income taxes under Section 501(c)(8) or (10) of the Internal Revenue Code, a *bona fide member* would include a member of another branch, chapter, lodge, aerie, or local unit who possesses an identification card indicating current membership in the same national fraternal nonprofit association.

Currently, a public notice of the Liquor Control Commission's intent to issue a club license must be made by publication in a newspaper published or in general circulation within the club's local governmental unit at least 10 days before the license is issued. The bills would clarify this requirement by specifying that the club must give public notice of the commission's intent to issue the license at least 10 days before the commission issues the license by publication in the local or locally circulated newspaper.

House Bill 5260 and Senate Bill 662 would each take effect 90 days after enactment.

MCL 436.1532 (both bills)

### ***ARGUMENTS:***

#### ***For:***

A club license allows fraternal, military, and other eligible organizations to obtain a liquor license to serve alcohol for consumption on the organization's premises. Under the statute, and as interpreted by the Liquor Control Commission, the law allows a member of an organization to buy alcohol only at the local branch for which he or she is a member. Thus, a Lansing member of the Elks, Moose, or VFW, to name a few, cannot buy a beer or glass of wine at, respectively, the local Elks lodge, Moose lodge, or VFW post in Traverse City. Reportedly, some of the lodges and posts have been unaware of this interpretation and, though they did not sell alcohol to nonmembers, they did sell alcohol to members of the same organization but from a different lodge or post, all the while unaware they were breaking the law. Members who have been aware of the law say they must rely on friends or even strangers at out-of-town lodges or posts to offer to buy them a drink. Since part of

the purpose for joining a fraternal organization or club is to have the opportunity to meet others with similar interests or backgrounds, it seems counterproductive to treat members of the same organization differently based on where they live.

This can be especially hard on current and former service members, and still more so for those suffering from post-traumatic stress disorder (PTSD). For those members, a traditional bar can be too noisy or too crowded or can trigger PTSD symptoms. For them, the ability to go to any post of a military-related organization to which they belong affords an opportunity for fellowship, understanding, and support. Moreover, some of the posts are so small that they do not own their own buildings and so are ineligible for a liquor license. Members of such posts must then travel to the nearest community where a post does have a permanent building, only to find that they may not purchase alcohol. The bills provide a fix by allowing a member of an organization to buy alcohol at any of that organization's locations in the state.

***For:***

The bills would clarify a provision that requires public notice to be given in local newspapers in advance of the issuance of a club license. It has been a longstanding practice by the Liquor Control Commission to require the club applying for the license to present proof of public notification before the commission issues the license. Reportedly, some clubs publish the notice when first applying for the license, while others publish the notice after the license is approved but before picking it up. The bills revise the language in the Code to make it clearer that it is the responsibility of the club seeking a club license to provide notice to the public before taking possession of the license.

***Against:***

No arguments opposing the bills were offered.

***POSITIONS:***

Representatives from the following entities testified in support of SB 662 (2-14-18):  
Michigan Liquor Control Commission  
American Legion Department of Michigan

The following entities indicated support for the bills (2-14-18):  
The Michigan Licensed Beer and Beverage Association (both bills)  
Vietnam Veterans of Michigan (SB 662)  
VFW Department of Michigan (SB 662)

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Fiscal Analyst: Marcus Coffin

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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.