

ALLOW SDD LICENSE IN CONJUNCTION WITH CERTAIN OTHER LIQUOR LICENSES

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Senate Bill 82 (S-1) as referred to second House committee

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Sponsor: Sen. Peter J. Lucido

1st House Committee: Regulatory Reform

2nd House Committee: Ways and Means

Senate Committee: Regulatory Reform

Complete to 12-15-20

SUMMARY:

Senate Bill 82 would amend the Michigan Liquor Control Code to allow a specially designated distributor (SDD) license to be held in conjunction with certain other liquor licenses or certain combinations of liquor licenses.

Currently, an applicant for a specially designated merchant (SDM) license, which allows for the sale of wine and beer for off-premises consumption, that is not in conjunction with certain other liquor licensees, may also apply for an SDD license, which allows for the sale of spirits for off-premises consumption.¹ The bill would delete this provision.

Instead, the bill would allow an SDD license issued under section 533(4) or 531(5) of the act² to be held in conjunction with any of the following licenses:

- An SDM license. (This is currently permitted under the act.)
- A class B hotel license.
- A class C license (on-premises consumption).
- A combination of an SDM and a class B hotel license or an SDM and a class C license.

The license fee for an SDD license held in conjunction with a combination of an SDM license and a class B hotel license or an SDM and a class C license would have to be calculated under section 525(1)(k) based on the total retail value of merchandise purchased from the Liquor Control Commission under the SDD license during the previous calendar year plus the total retail value of the merchandise purchased from the commission under either the class B hotel license or the class C license. (Section 525(1)(k) establishes annual license fees for SDD licensees.)

MCL 436.1533

¹ Those licenses include an on-premises license (except as provided in section 229(1), which allows the Liquor Control Commission to license a hotel or merchant to sell spirits for off-premises consumption), a person licensed solely as a SDM, and a class B hotel.

² Section 533(4) limits, by population, the number of SDD licenses that may be issued in a city, incorporated village, or township. Section 531(5) allows the Liquor Control Commission to issue additional SDD licenses, after the population quota limit has been reached, in resort areas of governmental units having a population of 50,000 or less.

BRIEF DISSUSSION:

Currently, a Class C licensee, such as a restaurant, bar, or brewpub, may sell alcohol for consumption only on the licensed premises, but it may apply also for an SDM license, which allows it to sell containers of beer and wine for patrons to take home. However, under the Liquor Code, a Class C licensee may not also hold an SDD license, meaning that it cannot sell spirits, such as a bottle of whiskey or vodka, to a patron to consume at home. This limitation in the law may have been meant to protect package liquor stores and on-premises licensees from undue competition with each other or to limit the number of establishments at which consumers could purchase alcohol, concerns sometimes reflected in older provisions.

However, as times change, consumer habits change as well as market forces that require even longstanding laws to be examined to see if revisions make sense. If the bill were enacted, subject to the quota law which limits the number of SDD licenses issued in a geographic area based on population, Class C licensees and certain hotels could apply for a SDD license to sell spirits for consumption off the licensed premises.

FISCAL IMPACT:

Senate Bill 82 would not have a significant fiscal impact on the Department of Licensing and Regulatory Affairs or on any other unit of state or local government. Based on the fee calculation method provided for in the bill, minor revenue increases may be realized, but these increases are unlikely to be significant.

POSITIONS:

The Michigan Licensed Beverage Association indicated support for the bill. (12-1-20)

The Michigan Liquor Control Commission indicated a neutral position on the bill. (12-1-20)

The Midwest Independent Retailers Association indicated opposition to the bill. (12-1-20)

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