

Legislative Analysis



INCREASE ALCOHOLIC LIQUOR DISCOUNT

Phone: (517) 373-8080
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House Bill 4757 (H-2) as reported from committee
Sponsor: Rep. Samantha Steckloff

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

House Bill 4758 as reported
Sponsor: Rep. Graham Filler

Committee: Regulatory Reform
Complete to

SUMMARY:

House Bill 4757 would amend the Michigan Liquor Control Code to increase the amount that on-premises licensees can deduct from the price of alcoholic liquor bought from the state. Currently, these licenses are entitled to a 17% discount for eligible purposes.¹ Under the bill, this discount would be increased to 23%.

MCL 436.1233

House Bill 4758 would amend the Michigan Liquor Control Code to prohibit the Michigan Liquor Control Commission (MLCC) from considering a *qualified violation* that is older than two years when making a decision regarding issuing, denying, suspending, or revoking a *license*. The two-year threshold would be calculated from the date of the act that resulted in the qualified violation.

A *qualified violation* would mean a violation of the act other than a *crime* or a state civil infraction.

A *crime* would mean an act or omission forbidden by law that is not designated as a civil infraction and is punishable upon conviction by one or more of the following:

- Imprisonment.
- A fine not designated a civil fine.
- Removal from office.
- Disqualification to hold an office of trust, honor, or profit under the state.
- Other penal discipline.

License is defined in the code as a contract between the MLCC and the licensee that grants that licensee the authority to manufacture and sell, sell, or warehouse alcoholic liquor in the manner provided by the code.

Proposed MCL 436.1910

The bills are tie-barred, which means that neither can take effect unless both are enacted.

¹ Under a provision enacted during the COVID-19 pandemic, the discount was temporarily increased to 23% from July 1, 2020 until July 1, 2021.

BRIEF DISCUSSION:

Supporters of the bill testified that, since the discount percentage was last adjusted, various increases in operating costs and inflation have made it extremely difficult for small independent liquor stores to compete with larger stores that can afford to sell at the state minimum price. They contend that the bill will address this by increasing the margins at which retailers can purchase liquor from the state, allowing more room for profit.

Some raised concerns about the fiscal impact the large proposed increase in the discount percentage could have on the state.

Opponents of the bills argued against limiting the information that could be used by the MLCC when determining whether to take action against a licensee.

FISCAL IMPACT:

House Bill 4757 would significantly reduce general fund revenues from the Liquor Purchase Revolving Fund (LPRF). Pursuant to statute, the LPRF transfers net income to the state general fund at the end of each fiscal year.

Based on the most recent financial report available (FY 2022), the existing 17% licensee discount totaled \$323.8 million. Increasing the licensee discount to 23% would increase the licensee discount payment by approximately \$113.9 million, which would result in a corresponding general fund revenue loss of approximately \$113.9 million.

House Bill 4758 would have an indeterminate fiscal impact on the Michigan Liquor Control Commission, housed within the Department of Licensing and Regulatory Affairs (LARA). The bill would not allow the MLCC to consider violations that occurred at least two years ago when making licensing determinations. The number of applicable violations is unknown, though would likely be small. The bill is likely to have minimal to no impact on license volumes and associated department revenues and costs. The bill would have no fiscal impact on any other units of state or local government.

POSITIONS:

Representatives of the following entities testified in support of the bills (12-10-24):

- Chaldean American Chamber of Commerce
- Bakkal Enterprises
- Midwest Independent Retailers

Representatives of the following entities indicated support for the bills (12-10-24):

- Michigan Licensed Beverage Association
- Clawson Gas Station
- Three Wisemen
- Sterling Shell Inc.
- Y&A Station Inc.
- JSD Enterprise
- D&H Gas Station

- Wayne Express Inc.
- Ten & Greenfield Gas Station Inc.
- Troy Gas Station
- Michigan Chamber of Commerce
- Lincoln Park Palace
- Wine Basket Market
- Vreeland Market
- Sylvan Convenience Inc.
- Small Business Association of Michigan
- Michigan Retailers Association

A representative of the Distilled Spirits Council of the U.S. indicated a neutral position on the bills. (12-10-24)

Representatives of the following entities indicated opposition to the bills (12-10-24):

- Michigan Liquor Control Commission
- Michigan Council on Alcohol Problems
- Michigan Alcohol Policy Promoting Health & Safety

Legislative Analyst: Alex Stegbauer
Fiscal Analysts: Ben Gielczyk
Una Jakupovic

■ 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.