



**House
Legislative
Analysis
Section**

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**DISTILLERS: DECREASE LICENSE
FEE**

**House Bill 5119 as introduced
First Analysis (10-29-01)**

**Sponsor: Rep. Sal Rocca
Committee: Regulatory Reform**

THE APPARENT PROBLEM:

To manufacture spirits in the state, such as vodka or scotch, a person or company must be licensed by the Michigan Liquor Control Commission (MLCC). The annual license fee to manufacture spirits is \$10,000. Currently, there are no spirit distillers, or manufacturers, located within the state; the last distiller moved out of the state approximately eight years ago. Compared to other liquor manufacturing licenses, such as wine makers (\$100) and beer manufacturers (based on production but no higher than \$1,000), the distiller license fee is quite high. Some believe that the \$10,000 distiller license fee acts as a disincentive for new or small distillers to set up shop in Michigan. At the request of the MLCC, legislation has been offered to reduce the annual distiller license fee to \$1,000.

for a license and a beer manufacturer's license fee is capped at \$1,000 a year. Reportedly, a few small businesses have inquired in recent years about the fee to operate a small distillery, though no company has actually applied for a license. The Michigan Liquor Control Commission feels that perhaps the \$10,000 fee discourages companies from pursuing the matter further. For a small, start-up company facing other costs such as buying property or equipment, a high fee such as this can act as a disincentive. Therefore, the MLCC has proposed that the distiller license fee be reduced to \$1,000.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Liquor Control Code to decrease the annual license fee to manufacture spirits from \$10,000 to \$1,000. (A license to manufacture spirits does not include makers, blenders, or rectifiers of wines that contain 21 percent or less alcohol by volume.)

Against:

Typically, liquor license fees are commensurate with the costs associated with regulation. A \$1,000 fee for distillers may be too low to support administrative staff needed to provide proper oversight, especially if a large distiller were to relocate to the state.

Response:

A large distiller has not operated within the state for approximately eight years. Since the trend in recent years has been for distillers to consolidate, there are now just a handful of large spirit manufacturers, and these are unlikely to pull up stakes and relocate to Michigan just because the license fee has been reduced. Rather, reducing the license fee is envisioned as aiding Michigan wine makers or brewing companies who may wish to expand into manufacturing spirits on a small scale. The MLCC reports that such small operations do not require as much supervision as the large distiller required that formerly operated in the state. Besides, much of the production of a spirit manufacturer is monitored by the federal Bureau of Tobacco and Firearms.

MCL 436.1525

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would have no immediate impact on the state, as there are no licenses in this category at present. The long term fiscal impact would depend on the extent to which the fee reduction provided an incentive to obtain a license as a spirit manufacturer. (10-26-01)

POSITIONS:

The Department of Consumer and Industry Services (which houses the MLCC) supports the bill. (10-25-01)

ARGUMENTS:

For:

The \$10,000 annual fee for a license to distill or manufacture spirits is quite high, especially considering that a wine maker pays only \$100 a year

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The Michigan Restaurant Association supports the bill. (10-25-01)

A representative of Local Color Brewing Company testified in support of the bill. (10-25-01)

The Michigan Licensed Beverage Association is opposed to the bill. (10-26-01)

Analyst: S. Stutzky

■ 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.