

RAISE LIQUOR PRICES TO FUND FIRE PROTECTION GRANTS

House Bill 4865 as introduced
Sponsor: Rep. Gretchen Whitmer
Committee: Regulatory Reform
Complete to 4-21-04

A REVISED SUMMARY OF HOUSE BILL 4865 AS INTRODUCED 6-19-03

The bill would amend the Michigan Liquor Control Code (MCL 436.1221 and 436.1233) to increase the maximum state markup on spirits that the Michigan Liquor Control Commission (LCC) uses to establish retail prices and would also increase the discount on spirits provided to liquor licensees. The additional money generated by the increase in the state markup would be deposited into the revolving fund maintained by the commission and be appropriated to local units of government to fund fire protection grants.

Under provisions of the Michigan Liquor Control Code, the LCC establishes uniform prices for the sale of distilled liquor that include a state markup (this represents the state's gross profit) and several excise taxes. The code requires the LCC to add to a product's base price a "markup" of not less than 51 percent or more than 65 percent. In addition, four percent of the base price is added for the Convention Facility Development Fund, four percent for the School Aid Fund, and four percent for the general fund. These taxes are levied on the retail selling price of spirits established by the commission without allowance of discount. Further, an additional 1.85 percent tax is levied on off-premise liquor licensees with proceeds credited to the Liquor Purchase Revolving Fund. The bill would increase the maximum amount that the commission could mark up a product from 65 percent to 74 percent.

The code also requires that a discount be deducted from the retail sale price established by the commission when liquor is sold by the state to specially designated distributors or SDDs (e.g., grocery stores, convenience stores, and pharmacies) and on-premises licensees (e.g., bars and restaurants). The bill would increase the amount of the discount from 17 percent to 19.25 percent.

FISCAL IMPACT:

For the 2004-05 fiscal year, increasing the markup from 65% to 74% can be expected to increase gross sales by an estimated \$45.4 million. The increase in the discount offered to specially designated distributors from 17% to 19.25% would reduce revenues by about \$27.4 million. Thus, the net amount that could be appropriated to fund fire protection grants would be approximately \$17.9 million.

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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.