

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 579

A bill to amend 1998 PA 58, entitled
"Michigan liquor control code of 1998,"
by amending section 233 (MCL 436.1233).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 233. (1) The commission shall establish uniform prices
2 for the sale of alcoholic liquor ~~in state liquor stores and by~~
3 specially designated distributors. ~~The~~ **EXCEPT AS OTHERWISE PROVIDED**
4 **IN THIS SUBSECTION, THE** prices shall ~~shall~~ **MUST** return a gross profit to
5 the commission of not less than 51% and not greater than 65%. If
6 alcoholic liquor purchased by the commission has not met sales
7 standards established by the commission for a period of 6 months,
8 the commission may sell the alcoholic liquor at a price to be
9 approved by the state administrative board. **EXCEPT AS OTHERWISE**

1 PROVIDED IN THIS SECTION AND SUBJECT TO PRICES APPROVED BY THE
2 STATE ADMINISTRATIVE BOARD UNDER THIS SUBSECTION, THE COMMISSION
3 SHALL ESTABLISH UNIFORM PRICES UNDER THIS SUBSECTION THAT WILL
4 RETURN A GROSS PROFIT TO THE COMMISSION AS FOLLOWS:

5 (A) FOR 2018, NOT GREATER THAN 65%.

6 (B) FOR 2019, NOT GREATER THAN 64.5%.

7 (C) FOR 2020, NOT GREATER THAN 64.5% UNLESS THE 2019 TOTAL
8 SALES OF SPIRITS IN THIS STATE INCREASED BY AT LEAST 2% FROM THE
9 2018 SALES. IF THE 2019 TOTAL SALES OF SPIRITS IN THIS STATE
10 INCREASED AS DESCRIBED IN THIS SUBDIVISION, BEGINNING WITH THE
11 SECOND QUARTERLY PRICE FOR 2020, THE COMMISSION SHALL ESTABLISH
12 UNIFORM PRICES THAT WILL RETURN A PROFIT OF 64%.

13 (D) FOR 2021, NOT GREATER THAN THE PERCENTAGE ESTABLISHED BY
14 THE COMMISSION FOR 2020 UNLESS THE 2020 SALES OF SPIRITS IN THIS
15 STATE INCREASED BY AT LEAST 2% FROM THE 2019 SALES. IF THE 2020
16 SALES OF SPIRITS IN THIS STATE INCREASED AS DESCRIBED IN THIS
17 SUBDIVISION, BEGINNING WITH THE SECOND QUARTERLY PRICE FOR 2021,
18 THE COMMISSION SHALL ESTABLISH UNIFORM PRICES THAT WILL REDUCE THE
19 PERCENTAGE OF GROSS PROFIT BY 0.5 FROM THE PREVIOUS YEAR.

20 (E) FOR 2022, NOT GREATER THAN THE PERCENTAGE ESTABLISHED BY
21 THE COMMISSION FOR 2021 UNLESS THE 2021 SALES OF SPIRITS IN THIS
22 STATE INCREASED BY AT LEAST 2% FROM THE 2020 SALES. IF THE 2021
23 SALES OF SPIRITS IN THIS STATE INCREASED AS DESCRIBED IN THIS
24 SUBDIVISION, BEGINNING WITH THE SECOND QUARTERLY PRICE FOR 2022,
25 THE COMMISSION SHALL ESTABLISH UNIFORM PRICES THAT WILL REDUCE THE
26 PERCENTAGE OF GROSS PROFIT BY 0.5 FROM THE PREVIOUS YEAR.

27 (F) FOR 2023 AND EACH YEAR THEREAFTER, THE PERCENTAGE

1 ESTABLISHED IN SUBDIVISION (E) .

2 (2) Notwithstanding subsection (1), the commission may
3 establish by rule prices for the sale of alcoholic liquor to
4 hospitals, charitable institutions, and military establishments
5 located in this state.

6 ~~(3) There shall be allowed a discount of 17% deducted from the~~
7 ~~sale price established by the commission on the sale of~~ **SPECIALLY**
8 **DESIGNATED DISTRIBUTORS AND ON-PREMISES LICENSEES ARE ENTITLED TO A**
9 **17% DISCOUNT FROM THE UNIFORM PRICE DESCRIBED UNDER SUBSECTION (1)**
10 **ON** alcoholic liquor ~~made by the~~ **PURCHASED FROM THIS** state. ~~liquor~~
11 ~~stores to specially designated distributors and establishments~~
12 ~~licensed to sell for consumption on the premises.~~

13 **(4) NOT LATER THAN FEBRUARY 1, 2019 AND EACH FEBRUARY 1**
14 **THEREAFTER, A SMALL DISTILLER OR AN OUT-OF-STATE ENTITY THAT IS THE**
15 **SUBSTANTIAL EQUIVALENT OF A SMALL DISTILLER MAY FILE AN APPLICATION**
16 **WITH THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT TO BE**
17 **CERTIFIED AS A QUALIFIED SMALL DISTILLER. AN APPLICATION UNDER THIS**
18 **SUBSECTION MUST BE ON A FORM PRESCRIBED AND FURNISHED BY THE**
19 **DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT. THE DEPARTMENT OF**
20 **AGRICULTURE AND RURAL DEVELOPMENT MAY CHARGE A REASONABLE**
21 **CERTIFICATION FEE.**

22 **(5) BEGINNING JANUARY 1, 2020, FOR EACH BOTTLE OF SPIRITS**
23 **PRODUCED BY A QUALIFIED SMALL DISTILLER OF WHICH AT LEAST 40% OF**
24 **THE BASE DISTILLATE IS DISTILLED FROM GRAIN GROWN AND HARVESTED IN**
25 **THIS STATE AS DETERMINED BY THE DEPARTMENT OF AGRICULTURE AND RURAL**
26 **DEVELOPMENT, THE PRICE FOR EACH BOTTLE MUST RETURN A GROSS PROFIT**
27 **TO THE COMMISSION OF 32.5%.**

1 (6) THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT SHALL
2 CERTIFY THAT AN APPLICANT UNDER SUBSECTION (4) IS A QUALIFIED SMALL
3 DISTILLER IF THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT
4 DETERMINES THAT THE BASE DISTILLATE IS OF THE SMALL DISTILLER OR
5 THE OUT-OF-STATE ENTITY THAT IS THE SUBSTANTIAL EQUIVALENT OF A
6 SMALL DISTILLER IS AT LEAST 40% DISTILLED FROM DISTILLED GRAIN
7 GROWN AND HARVESTED IN THIS STATE.

8 (7) NOT LATER THAN OCTOBER 1, 2019 AND EACH OCTOBER 1
9 THEREAFTER, THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT
10 SHALL SUBMIT A REPORT TO THE COMMISSION. A REPORT UNDER THIS
11 SUBSECTION MUST INCLUDE THE NAME OF EACH QUALIFIED SMALL DISTILLER
12 CERTIFIED UNDER SUBSECTION (6).

13 (8) A QUALIFIED SMALL DISTILLER CERTIFICATE EXPIRES ON
14 FEBRUARY 1 FOLLOWING THE DATE OF ISSUANCE.

15 (9) A SMALL DISTILLER OR AN OUT-OF-STATE ENTITY THAT IS THE
16 SUBSTANTIAL EQUIVALENT OF A SMALL DISTILLER THAT SUPPLIES FALSE
17 INFORMATION TO THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT
18 OR THE COMMISSION UNDER THIS SECTION IS GUILTY OF A MISDEMEANOR
19 PUNISHABLE BY IMPRISONMENT FOR NOT MORE THAN 1 YEAR OR A FINE OF
20 NOT MORE THAN \$3,000.00, OR BOTH. A SMALL DISTILLER OR AN OUT-OF-
21 STATE ENTITY THAT IS THE SUBSTANTIAL EQUIVALENT OF A SMALL
22 DISTILLER THAT SUPPLIES FALSE INFORMATION AS DESCRIBED IN THIS
23 SUBSECTION SHALL PAY THE COMMISSION THE DIFFERENCE BETWEEN THE
24 GROSS PROFIT THE COMMISSION WOULD HAVE RECEIVED UNDER SUBSECTION
25 (1) IF THE SMALL DISTILLER OR THE OUT-OF-STATE ENTITY THAT IS THE
26 SUBSTANTIAL EQUIVALENT OF A SMALL DISTILLER WAS NOT A QUALIFIED
27 SMALL DISTILLER, AS DETERMINED BY THE COMMISSION.

1 (10) A QUALIFIED SMALL DISTILLER SHALL KEEP A COMPLETE AND
2 ACCURATE SET OF RECORDS AND ACCOUNTS OF ALL TRANSACTIONS PERTAINING
3 TO THE OPERATION OF ITS DISTILLERY, INCLUDING, BUT NOT LIMITED TO,
4 RECORDS AND ACCOUNTS OF ALL DISTILLED GRAIN RECEIVED IN OR
5 WITHDRAWN FROM THE DISTILLERY, ALL ACKNOWLEDGMENT FORMS AND
6 MICHIGAN CERTIFICATION OF ORIGINATION STATEMENTS IN THE QUALIFIED
7 SMALL DISTILLER'S POSSESSION, COPIES OF ALL CONTRACTS, AND
8 ACKNOWLEDGMENT FORMS RETURNED TO AND SETTLED BY THE QUALIFIED SMALL
9 DISTILLER. THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT AND
10 THE COMMISSION MAY EXAMINE THE RECORDS AND ACCOUNTS PERTAINING TO
11 THE QUALIFIED SMALL DISTILLER'S DISTILLED GRAIN HANDLING BUSINESS
12 AT ANY TIME DURING NORMAL BUSINESS HOURS.

13 (11) AS USED IN THIS SECTION:

14 (A) "ACKNOWLEDGMENT FORM" MEANS A SCALE WEIGHT TICKET, A LOAD
15 SLIP, OR ANY OTHER EVIDENCE OF DEPOSIT ISSUED BY A SMALL DISTILLER
16 OR AN OUT-OF-STATE ENTITY THAT IS THE SUBSTANTIAL EQUIVALENT OF A
17 SMALL DISTILLER OR THE AUTHORIZED REPRESENTATIVE OF THE SMALL
18 DISTILLER OR THE OUT-OF-STATE ENTITY THAT IS THE SUBSTANTIAL
19 EQUIVALENT OF A SMALL DISTILLER TO A DEPOSITOR THAT IDENTIFIES THE
20 DISTILLED GRAIN BEING TRANSFERRED FROM POSSESSION OF THE DEPOSITOR
21 TO THE POSSESSION OF THE SMALL DISTILLER OR THE OUT-OF-STATE ENTITY
22 THAT IS THE SUBSTANTIAL EQUIVALENT OF A SMALL DISTILLER.

23 (B) "DEPOSITOR" MEANS EITHER OF THE FOLLOWING:

24 (i) A PERSON THAT DELIVERS DISTILLED GRAIN TO A SMALL
25 DISTILLER OR AN OUT-OF-STATE ENTITY THAT IS THE SUBSTANTIAL
26 EQUIVALENT OF A SMALL DISTILLER FOR STORAGE, PROCESSING, SHIPMENT,
27 OR SALE AND THAT HAS TITLE TO DISTILLED GRAIN AT THE TIME OF

1 DELIVERY.

2 (ii) A PERSON THAT OWNS OR THAT IS THE LEGAL HOLDER OF AN
3 ACKNOWLEDGMENT FORM ISSUED BY A DEPOSITOR FOR DISTILLED GRAIN.

4 (C) "DISTILLED GRAIN" MEANS ANY OF THE FOLLOWING:

5 (i) DRY BARLEY.

6 (ii) MALTED BARLEY.

7 (iii) OATS.

8 (iv) A SMALL GRAIN.

9 (v) A CEREAL GRAIN.

10 (vi) POTATO.

11 (vii) CORN.

12 (viii) FRUIT.

13 (ix) SUGAR BEETS.

14 (x) HONEY.

15 (D) "MICHIGAN CERTIFICATION OF ORIGINATION STATEMENT" MEANS A
16 SIGNED STATEMENT FROM A DEPOSITOR OR PRODUCER ON AN ACKNOWLEDGEMENT
17 FORM THAT DEPOSITED DISTILLED GRAIN WAS GROWN AND HARVESTED IN THIS
18 STATE.

19 (E) "QUALIFIED SMALL DISTILLER" MEANS A SMALL DISTILLER OR AN
20 OUT-OF-STATE ENTITY THAT IS THE SUBSTANTIAL EQUIVALENT OF A SMALL
21 DISTILLER CERTIFIED BY THE DEPARTMENT OF AGRICULTURE AND RURAL
22 DEVELOPMENT UNDER THIS SECTION AS HAVING AT LEAST 40% OF THE BASE
23 DISTILLATE OF THE SMALL DISTILLER OR THE OUT-OF-STATE ENTITY THAT
24 IS THE SUBSTANTIAL EQUIVALENT OF A SMALL DISTILLER DISTILLED FROM
25 DISTILLED GRAIN GROWN AND HARVESTED IN THIS STATE.