

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 ~~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 MAY FILE AN APPLICATION WITH THE
15 DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT TO BE CERTIFIED AS
16 A QUALIFIED SMALL DISTILLER. AN APPLICATION UNDER THIS SUBSECTION
17 MUST BE ON A FORM PRESCRIBED AND FURNISHED BY THE DEPARTMENT OF
18 AGRICULTURE AND RURAL DEVELOPMENT. THE DEPARTMENT OF AGRICULTURE
19 AND RURAL DEVELOPMENT MAY CHARGE A REASONABLE CERTIFICATION FEE.

20 (5) BEGINNING JANUARY 1, 2020, FOR EACH BOTTLE OF SPIRITS
21 PRODUCED BY A QUALIFIED SMALL DISTILLER, THE PRICE FOR EACH BOTTLE
22 MUST RETURN A GROSS PROFIT TO THE COMMISSION OF 32.5%.

23 (6) THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT SHALL
24 CERTIFY THAT AN APPLICANT UNDER SUBSECTION (4) IS A QUALIFIED SMALL
25 DISTILLER IF THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT
26 DETERMINES THAT AT LEAST 40% OF THE SMALL DISTILLER'S BASE
27 DISTILLATE IS DISTILLED FROM DISTILLED GRAIN GROWN AND HARVESTED IN

1 THIS STATE.

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

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

9 (9) A SMALL DISTILLER THAT SUPPLIES FALSE INFORMATION TO THE
10 DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT OR THE COMMISSION
11 UNDER THIS SECTION IS GUILTY OF A MISDEMEANOR PUNISHABLE BY
12 IMPRISONMENT FOR NOT MORE THAN 1 YEAR OR A FINE OF NOT MORE THAN
13 \$3,000.00, OR BOTH. A SMALL DISTILLER THAT SUPPLIES FALSE
14 INFORMATION AS DESCRIBED IN THIS SUBSECTION SHALL PAY THE
15 COMMISSION THE DIFFERENCE BETWEEN THE GROSS PROFIT THE COMMISSION
16 WOULD HAVE RECEIVED UNDER SUBSECTION (1) IF THE SMALL DISTILLER WAS
17 NOT A QUALIFIED SMALL DISTILLER, AS DETERMINED BY THE COMMISSION.

18 (10) A QUALIFIED SMALL DISTILLER SHALL KEEP A COMPLETE AND
19 ACCURATE SET OF RECORDS AND ACCOUNTS OF ALL TRANSACTIONS PERTAINING
20 TO THE OPERATION OF ITS DISTILLERY, INCLUDING, BUT NOT LIMITED TO,
21 RECORDS AND ACCOUNTS OF ALL DISTILLED GRAIN RECEIVED IN OR
22 WITHDRAWN FROM THE DISTILLERY, ALL ACKNOWLEDGMENT FORMS AND
23 MICHIGAN CERTIFICATION OF ORIGINATION STATEMENTS IN THE QUALIFIED
24 SMALL DISTILLER'S POSSESSION, COPIES OF ALL CONTRACTS, AND
25 ACKNOWLEDGMENT FORMS RETURNED TO AND SETTLED BY THE QUALIFIED SMALL
26 DISTILLER. THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT AND
27 THE COMMISSION MAY EXAMINE THE RECORDS AND ACCOUNTS PERTAINING TO

1 THE QUALIFIED SMALL DISTILLER'S DISTILLED GRAIN HANDLING BUSINESS
2 AT ANY TIME DURING NORMAL BUSINESS HOURS.

3 (11) AS USED IN THIS SECTION:

4 (A) "ACKNOWLEDGMENT FORM" MEANS A SCALE WEIGHT TICKET, A LOAD
5 SLIP, OR ANY OTHER EVIDENCE OF DEPOSIT ISSUED BY A SMALL DISTILLER
6 OR THE SMALL DISTILLER'S AUTHORIZED REPRESENTATIVE TO A DEPOSITOR
7 THAT IDENTIFIES THE DISTILLED GRAIN BEING TRANSFERRED FROM
8 POSSESSION OF THE DEPOSITOR TO THE POSSESSION OF THE SMALL
9 DISTILLER.

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

11 (i) A PERSON THAT DELIVERS DISTILLED GRAIN TO A SMALL
12 DISTILLER FOR STORAGE, PROCESSING, SHIPMENT, OR SALE AND THAT HAS
13 TITLE TO DISTILLED GRAIN AT THE TIME OF DELIVERY.

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

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

17 (i) DRY BARLEY.

18 (ii) MALTED BARLEY.

19 (iii) OATS.

20 (iv) A SMALL GRAIN.

21 (v) A CEREAL GRAIN.

22 (vi) POTATO.

23 (vii) CORN.

24 (viii) FRUIT.

25 (D) "MICHIGAN CERTIFICATION OF ORIGINATION STATEMENT" MEANS A
26 SIGNED STATEMENT FROM A DEPOSITOR OR PRODUCER ON AN ACKNOWLEDGEMENT
27 FORM THAT DEPOSITED DISTILLED GRAIN WAS GROWN AND HARVESTED IN THIS

1 STATE.

2 (E) "QUALIFIED SMALL DISTILLER" MEANS A SMALL DISTILLER
3 CERTIFIED BY THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT
4 UNDER THIS SECTION AS HAVING AT LEAST 40% OF THE SMALL DISTILLER'S
5 BASE DISTILLATE DISTILLED FROM DISTILLED GRAIN GROWN AND HARVESTED
6 IN THIS STATE.