

## LIQUOR UNIFORM PRICE DISCOUNT

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**Senate Bill 230 (H-3) as reported from House committee**

**Sponsor: Sen. Ed McBroom**

**House Committee: Regulatory Reform**

**Senate Committee: Regulatory Reform**

**Complete to 4-12-22**

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

### SUMMARY:

Senate Bill 230 would amend the Michigan Liquor Control Code to allow an on-premises licensee to receive a 23% discount (instead of 17%) on the uniform price for liquor purchased from the state. The discount for on-premises licensees was changed from 17% to 23% by 2020 PA 126, but those provisions expired on July 1, 2021, and the discount then went back to 17%.

The bill would allow a 23% discount for on-premises licensees beginning 30 days after the bill's effective date and ending 12 months after that date.

MCL 436.1233

### BRIEF DISCUSSION:

The hospitality industry has been one of the hardest hit by the pandemic. Reportedly, about 7% to 10% of Michigan bars have closed permanently since the pandemic began. Even with capacity limits lifted for in-person dining, many bars and restaurants continue to struggle. Some establishments have had to resort to closing early on most days or closing on slower days of the week as staff levels hover around 40% to 60% of typical levels.

In 2020, over a dozen bills amending the state liquor laws were enacted, several specifically to support on-premises licensees (a hard-hit sector) such as creating social districts, allowing service of alcohol on patios of on-premises licensees without additional permits, and the sale of to-go cocktails. In particular, 2020 PA 126 increased the discount to on-premises licensees on spirits purchased from the Michigan Liquor Control Commission. Instead of the standard 17% discount, for one year the discount was increased to 23%. The discount expired July 1, 2021. It has been recommended that the additional 6% discount be reestablished for an additional year to help on-premises licensees who now are struggling to keep the lights on. Although the additional revenue the measure would provide to licensees may seem small (the MLBA estimates a monthly savings on cases of liquor having a mix of high- and low-end products of about \$350 for a small establishment and about \$1,400 for a larger one), it still may mean being able to pay a utility bill, raise the pay for current staff, or hire an additional worker. Importantly, for some, it may mean the establishment can stay in business.

However, some argue that increasing the discount for an additional year comes at a time when more and more residents are seeking state services. Other breaks to businesses and residents provided in legislation over the past year add up to fewer dollars for government to support services provided by state and local public entities. Even though Michigan has received extra money from federal COVID relief funds provided to the states, the needs are many and it is

important to ensure that the Michigan Liquor Control Commission has sufficient funding to fulfill its statutory requirements in regulating the state's liquor industry.

Others would challenge that argument by noting that liquor sales, mainly from stores that sell spirits for off-premises consumption, have soared since the start of the pandemic and that revenues to the Liquor Purchase Revolving Fund increased in 2020, with about \$288.0 million transferred from the fund to the state's general fund. In addition, it is argued that if the increased discount enables more licensees to stay open, losses to the fund attributed to reinstating the on-premises discount for an additional year might be mitigated through increased liquor purchases from the MLCC.

#### **FISCAL IMPACT:**

Senate Bill 230 would have significant fiscal implications for the state, namely by reducing revenue that would otherwise be deposited to the Liquor Purchase Revolving Fund (LPRF). Reinstating the 23% discount would ultimately affect revenues that are deposited to the general fund, as unexpended LPRF balances lapse to the general fund at the close of the fiscal year.

#### **POSITIONS:**

A representative of the Michigan Licensed Beverage Association (MLBA) testified in support of the bill. (10-19-21)

The following entities indicated support for the bill:

- Michigan Restaurant and Lodging Association (10-19-21)
- Wine Institute (10-26-21)

The Michigan Liquor Control Commission indicated opposition to the bill. (10-19-21)

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■ 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.