

Legislative Analysis



TAX EXEMPTION CLAIM OBTAINED BY MICRO BREWER

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Senate Bills 415 and 416 as reported from House committee

Sponsor: Sen. Veronica Klinefelt

House Committee: Tax Policy

Senate Committee: Finance, Insurance, and Consumer Protection

Complete to 3-12-24

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

(Enacted as Public Acts 61 and 63 of 2024)

SUMMARY:

Senate Bills 415 and 416 would amend the General Sales Tax Act and the Use Tax Act, respectively, to revise certain documentation requirements for persons licensed as micro brewers under the Michigan Liquor Control Code.

Section 12 of the Sales Tax Act¹ provides that, when a sales tax exemption is claimed, a seller must obtain identifying information of the purchaser and the reason for claiming the exemption. However, if the seller is the Michigan Liquor Control Commission (MLCC), a wholesaler licensed by MLCC, or a person certified by MLCC as an authorized distribution agent for the sale and distribution of alcoholic liquor to a person licensed by the MLCC, obtaining the purchaser's license number issued by MLCC satisfies the above requirement.

In addition, under section 18 of the Sales Tax Act,² if the information required under section 12 is maintained, an exemption certificate or any other documentation or information is not required for an exemption claim obtained by MLCC, a wholesaler described above, or an authorized distribution agent as described above.

Senate Bill 415 would amend section 18 of the General Sales Tax Act to add that, if the information required under section 12 is maintained, an exemption certificate or any other documentation or information is also not required for an exemption claim obtained by a *micro brewer* for purposes of sales of alcoholic liquor to another person licensed by MLCC.

The bill would also make complementary changes to section 12.

Micro brewer would mean (as defined in the Liquor Control Code) a brewer that manufactures in total less than 60,000 barrels of beer a year and that may sell the beer manufactured to consumers at the licensed brewery premises for consumption on or off the premises and to retailers as provided in section 203a of the code. In determining the 60,000-barrel threshold, all brands and labels of a brewer, whether manufactured in or outside of this state, must be combined, and all facilities for the manufacturing of beer that are owned or controlled by the same person must be treated as a single facility.

MCL 205.62 and 205.68

¹ The equivalent provision of the Use Tax Act is section 14b.

² The equivalent provision of the Use Tax Act is section 14a.

Senate Bill 416 would make the same changes to the equivalent provisions of the Use Tax Act.

MCL 205.104a and 205.14b

Neither bill would take effect unless both bills were enacted.

BACKGROUND AND DISCUSSION:

According to committee testimony, the bills are intended to streamline the process of claiming an exemption for microbrewers when they sell directly to retailers.

The bills are similar to Senate Bills 852³ and 853⁴ of the 2021-22 legislative session, as reported from the House Tax Policy committee.

2022 PA 3⁵ and 2022 PA 4⁶ amended the same sections to make identical changes to the requirements for wholesalers and distribution.

FISCAL IMPACT:

The bill would have no fiscal impact on the state or on local units of government.

POSITIONS:

A representative of the Michigan Brewers Guild testified in support of the bills. (3-6-24)

The Department of Treasury indicated support for the bills. (3-6-24)

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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.

³ <http://legislature.mi.gov/doc.aspx?2022-SB-0852>

⁴ <http://legislature.mi.gov/doc.aspx?2022-SB-0853>

⁵ <http://legislature.mi.gov/doc.aspx?2021-HB-5322>

⁶ <http://legislature.mi.gov/doc.aspx?2021-HB-5323>