

INCREASE ALCOHOLIC LIQUOR DISCOUNT

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House Bill 4113 as reported from committee

Sponsor: Rep. Samantha Steckloff

1st Committee: Regulatory Reform

2nd Committee: Rules

Complete to 5-22-24

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

SUMMARY:

House Bill 4113 would amend the Michigan Liquor Control Code to increase the amount that on-premises licensees can deduct from the price of alcoholic liquor bought from the state. Currently, these licenses are entitled to a 17% discount for eligible purposes.¹ Under the bill, this discount would be increased to 23%.

MCL 436.1233

BACKGROUND AND DISCUSSION:

The bill is identical to House Bill 4757 of the 2023-24 legislative session as that bill was passed by the House.²

According to committee testimony, the discount percentage has not been increased in many years, except from the temporary COVID-era increase, while increasing operating costs and inflation have made it difficult for small independent liquor stores to compete with larger retailers that can afford to sell spirits at the state minimum price. Supporters argued that the bill would help these small retailers by increasing their margins on liquor sales.

Some in committee raised concerns that the bill would also provide the same increased profit margins for larger retailers. In addition, opponents of the bill argued that it could have a significant effect on general fund revenue.

FISCAL IMPACT:

The bill would significantly reduce general fund revenues from the Liquor Purchase Revolving Fund (LPRF). Pursuant to statute, the LPRF transfers net income to the state general fund at the end of each fiscal year.

Based on the most recent financial report available (FY 2022), the existing 17% licensee discount totaled \$323.8 million. Increasing the licensee discount to 23% would increase the licensee discount payment by approximately \$113.9 million, which would result in a corresponding general fund revenue loss of approximately \$113.9 million.

¹ Under a provision enacted during the COVID-19 pandemic, the discount was temporarily increased to 23% from July 1, 2020 until July 1, 2021.

² <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2023-HB-4757>

POSITIONS:

Representatives of the following entities testified in support of the bill:

- Michigan Independent Retailers (5-1-25)
- Mekani Orow Mekani Shallal & Hindo (5-8-25)
- Chaldean Chamber of Commerce (5-8-25)
- Vreeland Market (5-8-25)

The following entities indicated support for the bill:

- Michigan Licensed Beverage Association (5-1-25)
- Freal Inc. (5-8-25)
- Sylvan Convenience (5-8-25)
- Universal Party Shoppe (5-8-25)
- Wine Basket Liquor (5-8-25)

A representative of the Michigan Liquor Control Commission testified in opposition to the bill. (5-1-25)

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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.