

Legislative Analysis



MICHIGAN BEER AND WINE TAX CREDIT FOR HOME-GROWN INGREDIENTS

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House Bill 5275

Sponsor: Rep. Douglas Geiss

Committee: Regulatory Reform

Complete to 3-25-14

A REVISED SUMMARY OF HOUSE BILL 5275 AS INTRODUCED 2-4-14

The bill would amend the Michigan Liquor Control Code by creating a tax credit for beer, wine, mead, and cider makers if they use a certain percentage of Michigan-grown ingredients in their beverage.

From January 1, 2015 to December 31, 2019, producers of the following will be eligible for an annual tax credit against the tax on wine in Section 301 or beer in Section 409:

- Beer, where at least 20% of the hops and at least 40% of the other ingredients are grown or produced in Michigan.
- Wine, mead, or cider of any alcoholic content, where at least 40% of ingredients are grown or produced in Michigan.

The credit is available to wine maker, small wine makers, brewers, micro brewer, or brewpub. These are defined terms and licensed entities under the code.

The credit shall be 8 cents per gallon on the first 500,000 gallons and 4 cents per gallon on the next 14.5 million gallons. No credit would be given after 15 million gallons.

Beginning January 1, 2020, at least 40% of the hops and 50% ingredients for beer, and at least 50% of ingredients for cider, mead, and wine must be grown or produced in Michigan in order to qualify for the tax credit.

In the event of a natural disaster or other condition that "destroys many of the necessary ingredients in this state for the manufacturing of beer, wine, mead, or cider of any alcoholic content," an eligible beverage maker that has claimed the tax credit in the three immediately preceding years may receive the credit if it is determined by the Michigan Liquor Control Commission and Department of Agriculture and Rural Development that their inability to meet the normal criteria was due to the natural disaster or other condition.

To receive the credit, eligible makers must submit their claim within 3 months of the date of the sale of their alcoholic beverage. The claim shall include the following information:

- Name and business address of the vendor.
- Kind of beer, wine, mead, or cider.
- The size of the bottles or containers and number of bottles or containers.
- A statement that no other claims for a refund or credit of the amount claimed (or part of the amount claimed) have or will be submitted.
- Evidence that the tax on the beer, wine, mead, or cider has been paid.
- Evidence that the requisite percentage of the applicable Michigan-grown ingredients were used.
- If filing the claim following a natural disaster/condition that destroyed necessary ingredients in Michigan, provide written documentation from the liquor commission that attests to that fact.

If a brewer, micro brewer, brewpub, wine maker or small wine maker meets the applicable threshold for their alcoholic beverage, they will be allowed to include a "Michigan Farm to Glass" label on their bottled drink.

FISCAL IMPACT:

As written, the bill would have a minimal impact on beer and wine tax revenue, which accrues to the General Fund. Almost all (if not all) Michigan wineries would fall below the 500,000 gallon threshold, and if every gallon qualified for the credit, the revenue reduction would be less than \$150,000 based on 2013 production levels. The impact on brewing is more difficult to determine because although Michigan's hop industry is expanding rapidly, comparatively little malted grain is produced in Michigan, and much of that is used for distilling. Therefore, it would be difficult to meet the "40% of other ingredients" threshold (assuming water is not included), which would minimize the opportunity for Michigan brewers to receive the credit. In addition, it's not clear whether claiming the small brewer's credit (available to brewers that produce less than 30,000 barrels per year) precludes the ability to claim an additional credit for utilizing Michigan ingredients.

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