

Legislative Analysis



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House Bill 4507 as introduced
Sponsor: Rep. Scott Dianda
Committee: Regulatory Reform
Complete to 10-10-17

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

SUMMARY:

The bill would require that the fee for a liquor license be prorated on a quarterly basis for the portion of the licensing period in which the license were approved.

The Michigan Liquor Control Commission issues numerous types of liquor licenses for those who manufacture, deliver, or sell beer, wine, or spirits. Licenses in each class are valid for one year (May 1st to April 30th of the following year), meaning that every liquor license must be renewed by April 30th of each year.

Currently, the Michigan Liquor Control Code requires an applicant for a new or renewal license, or who wishes to transfer a license to a new location or to a new owner, to submit the applicable license fee at the time of application for the license (whether original, renewal, or transfer). If approved, the Michigan Liquor Control Commission issues an order to the applicant that the license is approved along with instructions for completing the approval process, if needed. For example, a final inspection may be needed before the license could be issued. According to the Commission, once the approval is finalized, a licensee can pick up the license (or have it mailed) or delay the effective date of the license. For instance, some applicants for a new license, or in the case of a license transfer, may choose to have the license be effective in early May if the final approval is close to the April 30th renewal deadline.

If the license or transfer request is denied, the fee is not refunded. In addition, the Code specifically prohibits the fee for the various types of licenses to be prorated for the effective period of the license. Thus, an applicant who submits a full license fee and receives the license close to the April 30 renewal deadline must still renew the license by April 30th of that year.

House Bill 4507 would amend the Michigan Liquor Control Code to instead require—based on the approval date of the application—that the fees for the various types of licenses be prorated on a quarterly basis for a portion of the effective period of the license. If the application is for a license that will be effective for less than 9 months, the applicant or licensee would be required to pay a prorated license fee and to submit the prorated fee *after* the application is approved and *on issuance* of the license. A transfer license fee would have to be paid *on issuance* of the license. The bill would also make several revisions of a technical nature for clarity.

MCL 436.1525 and 436.1529

FISCAL IMPACT:

House Bill 4507 would likely cause a significant decrease in revenues—of indeterminate magnitude—for fees that are collected for numerous licenses issued by the Michigan Liquor Control Commission (MLCC) and for the transfer of licenses. The bill would not have a significant fiscal impact on other units of state government, but would likely decrease revenues for municipalities and counties which receive 55% of retailers’ license fees and renewal fees for use by their law enforcement agencies for enforcement of the Liquor Control Code.

The bill would decrease revenues by requiring that licenses be prorated on a quarterly basis if an application is submitted that will be effective for less than nine months. The bill would also cause a decrease in revenues from the fees by changing the conditions under which a license fee must be paid. It is current practice that the MLCC collects license fees from applicants regardless of whether an application is approved or denied. Under this bill, license fees would only be collected if an application was approved.

License fees that would be subject to proration are earmarked under MCL 436.1543 for a variety of purposes:

- Retailers’ license fees and renewal fees are distributed to three sources:
 - 55% is distributed to municipalities for law enforcement agencies (or to counties for sheriff’s departments) for enforcement of the Liquor Control Code and associated rules;
 - 41.5% is deposited in a special fund, annually appropriated to the MLCC for conducting licensing and enforcement activities;
 - 3.5% is credited for programs for the prevention, rehabilitation, and treatment of alcoholics.
- License and license renewal fees, other than retail license and renewal fees and wholesale vendor license and renewal fees, are credited to the Grape and Wine Industry Council.
- License fees for railroad or Pullman cars, watercraft, aircraft, and transfer fees are used by the MLCC for licensing and enforcement activities.
- License fees collected from direct shippers are deposited to the Direct Shipper Enforcement Revolving Fund.
- The totality of revenues from wine auction license fees are deposited to the general fund.
- Wholesale vendor license fees and license renewal fees must be deposited into the Liquor Control Enforcement and License Investigation Revolving Fund, which is used for the enforcement of the Liquor Control Code and for license investigations.

It is not possible to estimate the magnitude of the impact on revenues from these fees, since the impact depends on how many licenses and license transfers are prorated.

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