

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4842

A bill to amend 1998 PA 58, entitled
"Michigan liquor control code of 1998,"
by amending section 233 (MCL 436.1233), as amended by 2020 PA 126.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 233. (1) The commission shall establish uniform prices
2 for the sale of alcoholic liquor by specially designated
3 distributors. ~~The~~ **Except as otherwise provided in this section, the**
4 prices must return a gross profit to the commission of not less
5 than 51% and not greater than 65%. If alcoholic liquor purchased by
6 the commission has not met sales standards established by the
7 commission for 6 months, the commission may sell the alcoholic
8 liquor at a price to be approved by the state administrative board.
9 (2) Notwithstanding subsection (1), the commission may

1 establish by rule prices for the sale of alcoholic liquor to
2 hospitals, charitable institutions, and military establishments
3 located in this state.

4 (3) Except as otherwise provided in this subsection, specially
5 designated distributors and on-premises licensees are entitled to a
6 17% discount from the uniform prices described in subsection (1) on
7 alcoholic liquor purchased from this state. Beginning ~~with the~~
8 ~~enactment date of the amendatory act that added this sentence~~ **July**
9 **1, 2020** until ~~12 months after the enactment date,~~ **July 1, 2021**, on-
10 premises licensees are entitled to a 23% discount from the uniform
11 prices described in subsection (1) on alcoholic liquor purchased
12 from this state.

13 (4) **Beginning on the effective date of the amendatory act that**
14 **added this subsection, and July 1 of each year after that date, a**
15 **small distiller or an out-of-state entity that is the substantial**
16 **equivalent of a small distiller may file an application with the**
17 **department of agriculture and rural development to be certified as**
18 **a qualified small distiller. An application under this subsection**
19 **must be on a form prescribed and furnished by the department of**
20 **agriculture and rural development. The department of agriculture**
21 **and rural development may charge a reasonable certification fee.**
22 **The certification fee received by the department of agriculture and**
23 **rural development under this subsection must be deposited in the**
24 **Michigan craft beverage council fund created under section 303a.**

25 (5) **Beginning January 1, 2023, the price for each bottle of**
26 **qualified distilled spirits manufactured by a qualified small**
27 **distiller must return a gross profit to the commission of 32.5%.**

28 (6) **The department of agriculture and rural development shall**
29 **certify that an applicant under subsection (4) is a qualified small**

1 distiller if the department of agriculture and rural development
2 determines that the base distillate of the small distiller or the
3 out-of-state entity that is the substantial equivalent of a small
4 distiller is at least 40% distilled from qualified grain grown and
5 harvested in this state.

6 (7) Not later than November 1, 2022, and each November 1
7 thereafter, the department of agriculture and rural development
8 shall submit a report to the commission. A report under this
9 subsection must include the name of each qualified small distiller
10 certified under subsection (6).

11 (8) A qualified small distiller certificate expires on July 1
12 following the date of issuance.

13 (9) A small distiller or an out-of-state entity that is the
14 substantial equivalent of a small distiller that knowingly supplies
15 false information to the department of agriculture and rural
16 development or the commission under this section is guilty of a
17 misdemeanor punishable by imprisonment for not more than 1 year or
18 a fine of not more than \$3,000.00, or both. A small distiller or an
19 out-of-state entity that is the substantial equivalent of a small
20 distiller that knowingly supplies false information as described in
21 this subsection shall pay the commission the difference between the
22 gross profit the commission would have received under subsection
23 (1) if the small distiller or the out-of-state entity that is the
24 substantial equivalent of a small distiller was not a qualified
25 small distiller, as determined by the commission.

26 (10) A qualified small distiller shall keep a complete and
27 accurate set of records and accounts of all transactions pertaining
28 to the operation of its distillery, including, but not limited to,
29 records and accounts of all qualified grain received in or

1 withdrawn from the distillery, all acknowledgment forms and
2 Michigan certification of origination statements in the qualified
3 small distiller's possession, copies of all contracts, and
4 acknowledgment forms returned to and settled by the qualified small
5 distiller. The department of agriculture and rural development and
6 the commission may examine the records and accounts pertaining to
7 the qualified small distiller's qualified grain handling business
8 at any time during normal business hours.

9 (11) As used in this section:

10 (a) "Acknowledgment form" means a scale weight ticket, a load
11 slip, or any other evidence of deposit issued by a small distiller,
12 an out-of-state entity that is the substantial equivalent of a
13 small distiller, or the authorized representative of a small
14 distiller or out-of-state entity that is the substantial equivalent
15 of a small distiller to a depositor that identifies the qualified
16 grain being transferred from possession of the depositor to the
17 possession of the small distiller or the out-of-state entity that
18 is the substantial equivalent of a small distiller.

19 (b) "Depositor" means either of the following:

20 (i) A person that delivers qualified grain to a small distiller
21 or an out-of-state entity that is the substantial equivalent of a
22 small distiller for storage, processing, shipment, or sale and that
23 has title to qualified grain at the time of delivery.

24 (ii) A person that owns or that is the legal holder of an
25 acknowledgment form issued by a depositor for qualified grain.

26 (c) "Michigan certification of origination statement" means a
27 signed statement from a depositor or producer on an acknowledgement
28 form that deposited qualified grain was grown and harvested in this
29 state.

1 (d) "Qualified distilled spirits" means distilled spirits
2 manufactured by a qualified small distiller of which at least 40%
3 of the base distillate is distilled from qualified grain grown and
4 harvested in this state.

5 (e) "Qualified grain" means any of the following:

6 (i) Dry barley.

7 (ii) Malted barley.

8 (iii) Oats.

9 (iv) A small grain.

10 (v) A cereal grain.

11 (vi) Potato.

12 (vii) Corn.

13 (viii) Fruit.

14 (ix) Sugar beets.

15 (x) Honey.

16 (f) "Qualified small distiller" means a small distiller or an
17 out-of-state entity that is the substantial equivalent of a small
18 distiller certified by the department of agriculture and rural
19 development under this section as having at least 40% of the base
20 distillate used to manufacture spirits that are distilled from
21 qualified grain grown and harvested in this state. The base
22 distillates may be distilled by the small distiller or the out-of-
23 state entity that is the substantial equivalent of a small
24 distiller or may be distillates purchased or received and further
25 manufactured in compliance with section 204a.

26 Enacting section 1. This amendatory act takes effect 90 days
27 after the date it is enacted into law.