

Fiscal Analysis

RETAILOR LIQUOR DISCOUNT RATE



Bill/Sponsor **HOUSE BILL 4458 as introduced, Rep. Sal Rocca**

House Committee Regulatory Reform

Analysis

Summary

House Bill 4458 would amend the Michigan Liquor Control Code of 1958 by increasing from 17% to 20%, the discount deducted from the sale price established by the Liquor Control Commission made by state liquor stores to specifically designated distributors and establishments licensed to sell for consumption on the premises.

Fiscal Impact

Amending the Liquor Control Code by increasing the allowed discount rate given to retailers of liquor by 3% would negatively impact revenue to the Liquor Purchase Revolving Fund (LPRF). In FY 2002 Michigan Liquor Control Commission gross sales of liquor was \$731.6 million. A 17% discount rate to retailers reduced proceeds to the LPRF by \$124.4 million. If the discount rate had been 20% instead of 17% in FY 2002 the additional 3% would have reduced the LPRF by \$21.9 million.

To project gross liquor sales for FY 2003 and FY 2004 an increase of 2% each year was used.

Fiscal Year	Gross Liquor Sales	\$ Sales Increase from Previous Year	% Sales Increase from Previous Year
2004	\$761,207,610	\$14,925,639	2.0%
2003	\$746,281,971	\$14,632,980	2.0%
*** data above are estimates ***			
2002	\$731,648,991	\$18,985,494	2.7%
2001	\$712,663,497	\$29,299,879	4.3%
2000	\$683,363,618	\$45,335,251	7.1%
1999	\$638,028,367	\$35,281,024	5.9%

Gross Liquor Sales Data Source: Annual Reports of the Michigan Liquor Control Commission.

From the table above, a 3% increase in the retailer discount rate in FY 2004 is estimated to be a reduction of \$22.8 million (\$761.2 x 3%) to the LPRF.

Analyst(s)

Steve Stauff

COMMITTEE ANALYSIS - 6/6/03

Mitchell Bean, Director – House Fiscal Agency
 124 N. Capitol Avenue, Lansing, MI 48909
 Phone: (517)373-8080, Fax: (517)373-5874
<http://www.house.mi.gov/hfa>