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Senate Bill 512 (Substitute S-2)
Senate Bill 513 (Substitute S-1)
Sponsor: Senator Sam Singh (S.B. 512)
Senator Roger Hauck (S.B. 513)
Committee: Regulatory Affairs

Date Completed: 11-6-25

CONTENT

Senate Bill 512 (S-2) would amend the Liquor Control Code to do the following:

- Expand the definition of "beer" to include nonalcoholic beverages.
- Allow a wholesaler to sell beer to a brewer or micro brewer for further sale at the brewer's or micro brewer's approved tasting room for consumption on or off the licensed premises, under certain conditions.
- Expand the Michigan Craft Beverage Council's membership to include the Liquor Control Commission's (Commission) business manager as a nonvoting member and a brewer or a microbrewer.
- Expand the types of alcohol that a wholesaler could sell to governmental entities, churches, and its own employees.
- Modify requirements of licensed entities related to record retention, promotional purchases, and the giving away of alcohol.
- Prescribe administrative fines for dishonored payments made by retailers to wholesalers.

Senate Bill 513 (S-1) would amend the Liquor Control Code to modify the definitions of "brand extension" and "supplier".

The bills are tie-barred.

Senate Bill 512 (S-2)

Inclusion of Nonalcoholic Beverages

The bill specifies that the Legislature "finds that the availability of nonalcoholic beverages, including nonalcoholic beer at tasting rooms, promotes public health and safety when done through a regulated structure that minimizes minor access to nonalcoholic beer; and further that the "3-tier distribution system remains the most effective balance of increasing competition and variety and access to market against public health and safety. The ability of a wholesaler to sell nonalcoholic products to a brewer operating a tasting room under this section must not be used to undermine the 3-tier distribution system."

Under the bill, a wholesaler could sell beer to a brewer or micro brewer to sell at the brewer's or micro brewer's approved tasting room for consumption on or off the licensed premises; however, a brewer or micro brewer that purchased beer could not do either of the following:

- Sell or transfer the beer to another licensee.

- If the brewer or micro brewer had multiple licensed locations with approved tasting rooms, transfer the beer to any of the brewer's or micro brewer's licensed locations.

Currently, the Code defines "beer" as a beverage obtained by alcoholic fermentation of an infusion or decoction of barley, malt, hops, sugar, or other cereal in potable water. Under the bill, "beer" would mean the following:

- A beverage obtained by alcoholic fermentation of an infusion or decoction of barley, malt, hops, sugar, or other cereal in potable water that contains at least 0.5% of alcohol by volume.
- A beverage obtained by alcoholic fermentation of an infusion or decoction of barley, malt, hops, or other cereal in potable water that contains less than 0.5% of alcohol by volume, including a beverage that contains 0.0% of alcohol by volume.

Michigan Craft Beverage Council Membership

The Code prescribes the membership of the Michigan Craft Beverage Council, including a representative of large brewers and, as a nonvoting member, the Director of the Department of Agriculture and Rural Development (MDARD) or the Director's designee. The bill would instead include a representative of a brewer or micro brewer and, as a nonvoting member, the Director of MDARD or the Director's designee and the Commission's business manager or the business manager's designee.

Wholesaler Sales

Under the Code, a wholesaler may sell or deliver beer and alcoholic liquor to hospitals, military establishments, governments of Federal Indian reservations and churches requiring sacramental wines and may sell to the wholesaler's own employees to a limit of two cases of 24 12-ounce units or its equivalent of malt beverage per week, or one case of 12 one-liter units or its equivalent of wine or mixed spirit drink per week.

Instead, under the bill, a wholesaler could sell or deliver beer, wine, mixed wine drink, and mixed spirit drink to hospitals, military establishments, governments of Federal Indian reservations, a border store or airport store; a trade association whose members were licensed and where the beer, wine, mixed wine drink, or mixed spirit drink was for on-premises consumption and not for resale; and churches requiring sacramental wines and allowed to sell to the wholesaler's own employees to a limit of two cases of 24 12-ounce units or its equivalent of malt beverage per week, or one case of 12 one-liter units or its equivalent of wine, mixed wine drink, or mixed spirit drink per week.

Expanded Requirements

The Code requires certain vendors, salespersons, and manufacturers of spirits, beer and wine to maintain accurate records of expenditures for each call on a retail licensee. The records must be maintained for four years and must be made available for Commission inspection. The bill would apply these record requirements to a mixed spirit drink manufacturer and an outstate seller of mixed spirit drink.

The Code also allows certain vendors, salespersons, and manufacturers of spirits, beer and wine, for promotional purposes, to purchase one drink for each customer of an on-premises retail licensee subject to a total spending limit of \$100 a day. A drink purchased in this way must be of the brand represented by the vendor representative or salesperson; however, the Code prohibits a vendor representative or salesperson of a manufacturer of beer, a wholesaler of beer, or an outstate seller of beer from purchasing a drink in this way more than twice per month at the same on-premises retail licensed location. The bill would apply these provisions

to a mixed spirit drink manufacturer, a wholesaler of a mixed wine drink, and an outstate seller of mixed spirit drink.

The Code also prohibits a vendor from giving away any alcoholic liquor of any kind or description at any time in connection with the vendor's business, except a vendor that is a manufacturer for consumption on the premises only, except under certain circumstances. The bill would exempt from this prohibition a brewer or micro brewer that gave samples of beer to an employee of another brewer or micro brewer if all the following conditions were met:

- The sampling was for the purpose of research or education.
- The employee was at least 21 years of age.
- The sampling took place on the licensed premises of the other micro brewer or the other brewer that was not a micro brewer.

Colleges, Universities, and Signage

The bill also would allow a vendor to provide a philanthropic gift or sponsorship payment to a two or four-year college or university located in the State that held a retail license if the following conditions were met:

- The gift did not include alcoholic liquor.
- The gift or sponsorship payment was not contingent on the purchase of alcoholic liquor by the governing body of the college or university that was a retailer.
- The gift or sponsorship payment was not contingent on the sale of alcoholic liquor at the site at which a retail license was held by the governing body of the college or university the governing body of which was issued a retail license.

The bill would allow a vendor to provide signs that promote the brands and prices of alcoholic liquor for use on the licensed premises of a retail license issued to the governing body of a two or four-year college or university located in the State. All the following would apply to this sign:

- The sign could not be illuminated.
- The sign could not have any use beyond the actual advertising of brands and prices related to the alcoholic liquor.
- For a sign that was located inside the retailer's licensed premises, the sign could not be more than 3,500 square inches in dimension.
- The signs allowed could include the name or logo of the two or four-year college or university located in the State that held a retail license.

A sports or entertainment venue for which a retail license had been issued to the governing body of a public university could contain illuminated advertising signs that had a total area of more than 3,500 square inches. Any of the following entities could provide and install illuminated advertising signs and advertising signs that had a total area of more than 3,500 square inches per sign:

- A brewer.
- A micro brewer
- A wine maker.
- A small wine maker.
- An outstate seller of beer.
- An outstate seller of wine.
- An outstate seller of mixed spirit drink.
- A manufacturer of spirits.
- A manufacturer of mixed spirit drink.
- A vendor of spirits.

-- An outstate self-distributor.

A vendor also could sell alcoholic liquor that included on the container or packaging of the alcoholic liquor the name or logo of a two or four-year college or university located in the State that held a retailer license.

A vendor could provide signs that promoted the brands and prices of alcoholic liquor and advertising items authorized by the bill to a retailer if the retailer were a two or four-year college or university located in the State that included the name or logo of a two or four-year college or university located in the State.

Dishonored Payments

Under the bill, the Commission would have to suspend the license of a retailer for 14 days if the retailer had made six or more payments to a wholesaler that had been dishonored by a financial institution on different dates in 12 consecutive months.

Currently, a retailer is in violation of the Code if the retailer or the retailer's clerk, servant, agent, or employee makes a payment to a wholesaler, the Commission, or this State by any means that has been dishonored by a financial institution for lack of sufficient funds. Instead, under the bill, a violation would occur if the retailer or the retailer's clerk, servant, agent, or employee made a payment to a wholesaler by any means that had been dishonored by a financial institution for *any reason*.

A wholesaler would have to require a retailer that had made a payment to the wholesaler that had been dishonored by a financial institution to pay the wholesaler an administrative fee as follows:

- For the first dishonored payment, \$50.
- For a second dishonored payment within 12 months of the first dishonored payment, \$100.
- For a third dishonored payment within 12 months of the first dishonored payment, \$150.
- For a fourth dishonored payment within 12 months of the first dishonored payment, \$200.
- For a fifth or any subsequent dishonored payment within 12 months of the first dishonored payment, \$250.

The Code prohibits a vendor from giving away any alcoholic liquor of any kind or description at any time in connection with the vendor's business, except a vendor that is a manufacturer for consumption on the premises only. The bill would allow a micro brewer or a brewer to give samples of beer to an employee of another brewer or micro brewer if the following conditions were met:

- The sampling is for the purpose of research or of educating the employee regarding the beer.
- The employee is at least 21 years of age.
- The sampling takes place on the licensed premises of the other micro brewer or the other brewer

Senate Bill 513 (S-1)

Currently, "brand" means any word, name, group of letters, symbol, trademark, or combination thereof adopted and used by a supplier to identify a specific beer, malt beverage, wine, mixed wine drink, or mixed spirit drink product and to distinguish that product from another beer, malt beverage, wine, mixed wine drink, or mixed spirit drink product that is produced or marketed by that or another supplier.

Under the bill, "brand" would mean any word, *group of words*, *letter*, group of letters, symbol, *group of symbols*, or combination thereof adopted and used by a supplier to name, identify, or trademark a specific beer, malt beverage, wine, mixed wine drink, or mixed spirit drink product. Further, a supplier's legal name, assumed name, or trade name, or any doing-business-as name used by the supplier would be considered a brand name, identifier, or trademark if it were used in a manner that was prominently featured on the container or packaging of the beer, wine, mixed wine drink, or mixed spirit drink to market the product and to identify the product, except if the use of the legal name, assumed name, trade name, or doing-business-as name were not considered a brand name, identifier, or trademark if it were not prominently featured on the container or packaging of the beer, wine, mixed wine drink, or mixed spirit drink. The supplier's legal name, assumed name, or trade name, or any doing-business-as name also would not be considered a brand name if the use of the legal name, assumed name, trade name, or doing-business-as name was not considered a brand name, identifier, or trademark if it were used solely for any of the following purposes:

- Identifying the supplier that manufactured the beer, wine, mixed wine drink, or mixed spirit drink.
- Identifying the supplier that bottled the beer, wine, mixed wine drink, or mixed spirit drink.
- Identifying the supplier that imported the beer, wine, mixed wine drink, or mixed spirit drink.

"Brand extension" currently means any brand that incorporates all or a substantial part of the unique features of a preexisting brand, regardless of whether the extension is beer, wine, mixed wine drink, or mixed spirit drink. Under the bill, "brand extension" would mean any beer, wine, mixed wine drink, or mixed spirit drink brand that is marketed, in any manner, using the same name, identifier, or trademark associated with a brand that has preceded it in being sold or offered for sale in the State, or a derivative or portion of the name, identifier, or trademark and that would lead a reasonable person to recognize its relationship to an existing brand, regardless of any of the following:

- The addition of words or letters in a word.
- The addition of a name, identifier, or trademark.
- The addition of a symbol.
- Any differences in the packaging, formulation, or production of the beer, wine, mixed wine drink, or mixed spirit drink or the shape, size, or type of container in which the beer, wine, mixed wine drink, or mixed spirit drink is sold.
- Changes in the alcohol category used in the brand extension.
- The manufacturer, importer, or licensed outstate seller of the brand extension being different from the manufacturer, importer, or licensed outstate seller of the underlying brand the extension was based on.

"Supplier" would mean a brewer, a micro brewer, an outstate seller of beer, a wine maker, a small wine maker, an outstate seller of wine, a manufacturer of a mixed wine drink, an outstate seller of a mixed wine drink, a mixed spirit drink manufacturer, and an outstate seller of a mixed spirit drink.

Distribution rights in effect as of the effective date of the bill would be preserved; however, the bill would not be limited in application to a beer, wine, mixed wine drink, or mixed spirit drink that would be considered a brand extension after the bill's effective date that was based on a brand that was in existence before the bill's effective date.

A supplier that registered a multibranded product with the Commission would have to appoint the wholesaler or wholesalers that had rights to the supplier's underlying brand. "Multibranded product" would mean any beer, wine, mixed wine drink, or mixed spirit drink that included two or more brands of different suppliers.

MCL 436.1105 et al. (S.B. 512 & 513)

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

Analyst: Nathan Leaman

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.