



MEMO

TO: Members of the House Regulatory Reform Committee
FROM: Michigan Spirits Association (MSA) Board of Directors
DATE: June 17, 2021
RE: Opposition to House Bill 4842

On behalf of the Michigan Spirits Association (MSA), we are writing to oppose House Bill 4842 introduced by Representative Pat Outman.

Under the bill, spirit distilleries that produce under 60,000 gallons and use Michigan grains would benefit, however, distilleries above that threshold of production, even if they use a tremendous amount of Michigan grains, would not qualify. This artificially creates a huge price disparity between brands. Creating winners and losers in the spirits industry should be avoided. The reduction of the state's markup for craft distiller in this bill is being touted as a benefit for the industry in the state, however, that is very misleading. The reduction in the markup DOES NOT provide a benefit to companies which employ many people, reinvest in the state through advertising, promotions, events, etc. We believe you should look at it in a more holistic full spirits industry approach.

To provide relief to the full industry and reduce the burdensome nature of the process outlined in HB 4842, we suggest simply reducing slightly, by 1% per year, the State's 65% markup for all spirit distillers. This fair approach would provide tax relief to all in the spirits industry, not just a select few. If written correctly, it could also have no negative impact to the state's revenue. Under our proposal, the markup would be reduced slightly each year for 10 years ONLY if the state's revenue from spirit sales is above 2%. Annual revenues from spirits have far exceeded that over the past 5 years. This protects the state. This overall reduction in the state's liquor markup is needed to spur additional investment by craft AND national brands.

We look forward to working with you to "craft" a bill that helps all distillers and suppliers doing business in Michigan.

Thank you in advance for your consideration. Please let us know if you have any questions.