

# Legislative Analysis



## TAX EXEMPTION CLAIM OBTAINED BY MICRO BREWER

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<http://www.house.mi.gov/hfa>

**Senate Bill 852 (S-1) as reported from House committee**  
**Sponsor: Sen. Jim Runestad**

Analysis available at  
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**Senate Bill 853 (S-1) as reported from House committee**  
**Sponsor: Sen. Stephanie Chang**

**House Committee: Tax Policy**  
**Senate Committee: Finance**  
**Complete to 12-5-22**

### SUMMARY:

Senate Bills 852 and 853 would respectively amend the Use Tax Act and the General Sales Tax Act to revise certain documentation requirements for persons licensed as micro brewers under the Michigan Liquor Control Code.

Section 12 of the Sales Tax Act<sup>1</sup> provides that, when a sales tax exemption is claimed, a seller must obtain identifying information of the purchaser and the reason for claiming the exemption. However, if the seller is the Michigan Liquor Control Commission (MLCC), a wholesaler licensed by MLCC, or a person certified by MLCC as an authorized distribution agent for the sale and distribution of alcoholic liquor to a person licensed by the MLCC, obtaining the purchaser's license number issued by MLCC satisfies the above requirement.

In addition, under section 18 of the Sales Tax Act,<sup>2</sup> if the information required under section 12 is maintained, an exemption certificate or any other documentation or information is not required for an exemption claim obtained by MLCC, a wholesaler described above, or an authorized distribution agent as described above.

**Senate Bill 853** would amend section 18 of the General Sales Tax Act to add that, if the information required under section 12 is maintained, an exemption certificate or any other documentation or information is also not required for an exemption claim obtained by a *micro brewer* for purposes of sales of alcoholic liquor to another person licensed by MLCC.

*Micro brewer* would mean (as defined in the Liquor Control Code) a brewer that manufactures in total less than 60,000 barrels of beer a year and that may sell the beer manufactured to consumers at the licensed brewery premises for consumption on or off the premises and to retailers as provided in section 203a of the code. In determining the 60,000-barrel threshold, all brands and labels of a brewer, whether manufactured in or outside of this state, must be combined, and all facilities for the manufacturing of beer that are owned or controlled by the same person must be treated as a single facility.

MCL 205.68

<sup>1</sup> The equivalent provision of the Use Tax Act is section 14b.

<sup>2</sup> The equivalent provision of the Use Tax Act is section 14a.

**Senate Bill 852** would make the same changes to the equivalent provisions of the Use Tax Act.

MCL 205.104a

Neither bill would take effect unless both bills were enacted.

**FISCAL IMPACT:**

As written, the bills would not be expected to have any state or local fiscal impact.

**POSITIONS:**

Representatives of the following testified in support of the bills (3-16-22):

- Eastern Market Brewing Company
- Michigan Brewers Guild

The Department of Treasury indicated a neutral position on the bills. (3-16-22)

Legislative Analyst: Rick Yuille  
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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.