



Michigan Department of Licensing & Regulatory Affairs
MICHIGAN LIQUOR CONTROL COMMISSION (MLCC)
525 W. Allegan Lansing, MI 48933
P.O. Box 30005 Lansing, MI 48909

Michigan Small Distiller License Requirements and General Information

A Small Distiller license:

- License issued by the Liquor Control Commission to manufacture spirits, not to exceed 60,000 gallons annually of all brands combined.
- License also includes the manufacture of Brandy.
- May offer free samples to consumers on the manufacturing premises.
- May sell spirits to consumers for consumption on the manufacturing premises.
- May sell spirits to consumers for off-premises consumption (take-out) for not less than the uniform price set by the Commission.
- May **not** sell spirits directly to Michigan retail licensees.
- May sell spirits to the Michigan Liquor Control Commission who resells spirit products through the spirit distribution system.
- Must contract with an Authorized Distribution Agent (“ADA”) to warehouse and deliver spirits to retailers through the Commission’s spirit distribution system.
- Must obtain a “Distilling, Rectifying, Blending and/or Bottling Spirits” Basic Permit from Alcohol and Tobacco Tax and Trade Bureau (“TTB”).
- \$100.00 annual license fee. License renews annually on May 1. License fee may not be prorated for part-year licensure and is payable at the time of initial application.

How To Apply For A License:

Please refer to the “Manufacturers & Wholesale License Application Process” information sheet for applicable forms and required documents.

All forms are available on our website at: www.michigan.gov/lcc ---> Commission Forms ---> Manufacturers & Wholesalers.

Licensing Requirements:

Federal Basic Permit:

Receipt of a Federal “Distilling, Rectifying, Blending and/or Bottling Spirits” Basic Permit, issued by the Alcohol and Tobacco Tax and Trade Bureau (“TTB”) is required prior to the issuance of a Small Distiller license.

- Administrative rule R 436.1827

For Federal Basic Permit info contact: Alcohol and Tobacco Tax and Trade Bureau
550 Main St. Room 8002
Cincinnati, OH 45202
513-684-3337
www.ttb.gov

Proof of Financial Responsibility:

A statutory requirement to provide security for liability of not less than \$50,000. May be in the form of cash, unencumbered securities, liquor liability insurance, constant value bond, or membership in a group self-insurance pool authorized by law that provides security for liability under Section 436.803 of the Liquor Control Code. Proof of Financial Responsibility Form LC-95 & instructions can be found on our website. Proof of Financial Responsibility does not need to be submitted until applicant has received notification from our office of approval for their license application by our Commission.

- MCL 436.1803

Server Training Requirement:

A licensee authorized to sell or sample alcoholic beverages for on-premises consumption is required to have present on the licensed premises, at a minimum, supervisory personnel on each shift and during all hours in which alcoholic liquor is served who have successfully completed a server training program approved by the Commission. Server Training forms will be mailed upon Commission approval of the license application.

- MCL 436.1501(1), Administrative rule R 436.1060

Food Establishment License

The Michigan Food Law (Act 92, P.A. of 2000) requires all food establishments, including processing operations such as wineries, breweries and distilleries to obtain a food establishment of one type or another. Contact the Michigan Department of Agriculture & Rural Development ("MDARD") for details on the specific food establishment license required for your operation. The MDARD may be contacted as follows:

MDARD Central Licensing
P.O. Box 30746
Lansing, MI 48909
800-292-3939
www.michigan.gov/mdard

General Information:

Michigan Spirit Distribution System:

Michigan operates as a "control" state for the sale of spirits. The Commission acts as the wholesaler for all spirit products. A Vendor of Spirits sells spirits to the Commission. The Commission then resells the spirits to both on and off-premises retail licensees. Spirit products are warehoused and delivered to retail licensees by Authorized Distribution Agents ("ADA"). An ADA is required to be certified by the Commission and is also required to have a contract with each Vendor of Spirits they represent to deliver their particular spirit products. Spirit products that are sold to consumers for off-premise consumption by licensed Specially Designated Distributors ("SDD") are sold statewide at uniform prices set by the Commission. The uniform price set by the Commission is determined by the cost of the spirit product to the Commission plus a 65% mark-up, plus a combination of specific taxes. All of the aforementioned components of the system are further described below.

Vendor of Spirits:

A Small Distiller must also register with the Commission as a "Vendor of Spirits" in order to sell their spirit products to the Michigan Liquor Control Commission. Michigan is a "control" state, which means the Michigan Liquor Control Commission acts as the wholesaler for all spirit products, excluding mixed spirit drinks. The Commission purchases spirits from Vendors of Spirits. The Vendor of Spirits is responsible for registering product lines and filing quotations with the Commission. The Commission then adds the statutory mark-up (currently 65%) and specific taxes (currently totaling 12%) and sells the spirits to licensed retailers who in turn may sell to consumers. There is no fee for registering as a Vendor of Spirits. There is also no licensing investigation for registering as a Vendor of Spirits. Additional information on registering as a Vendor of Spirits may be found at the Commission's Website www.michigan.gov/lcc --> "Products" --> "New Vendor Application Packet".

Authorized Distribution Agents:

A Small Distiller who wishes to sell its spirits through the Commission's spirit distribution system as a Vendor of Spirits must contract with an Authorized Distribution Agent ("ADA") to warehouse and distribute their spirits. The ADA is required to be certified by the Commission to store and deliver spirits. A signed contract with a Certified ADA is required to be filed prior to the Commission approving any product distribution. **If a Small Distiller only intends to sell their product directly to consumers from their licensed manufacturing premises, they do not need to contract with an ADA.**

An ADA must have a written contract with each Vendor of Spirits they represent. The contract must specify the following:

- The contract must designate each brand of spirits the ADA is authorized to warehouse and deliver.
- The contract must specify the ADA's authorized geographical delivery area. Statewide distribution must be covered by an individual ADA or by contracting with multiple ADA's.
- The contract must indicate the responsibilities of both parties.
- The contract must have a specific beginning and ending date.

- The contract must specify the amount per case to be paid to the ADA by the Vendor of Spirits. This warehouse/delivery fee must be a minimum of \$8.85 per case. (The MLCC pays the Vendor of Spirits \$7.50 per case to partially offset this warehousing/delivery fee.) .
- Both the ADA and the Vendor of Spirits must sign the contract.

An ADA is required to make weekly deliveries to any retail licensee making a one case or more minimum order. An ADA may not charge any split case fees nor may they charge any delivery fee except for emergency orders placed by retail licensees in addition to their weekly delivery. In such cases, an ADA may charge a \$20.00 delivery fee. The ADA is responsible for collecting payment from the retail licensee on behalf of the Commission and is responsible for submitting various sales documents to the Commission. An ADA may not have any interest, directly or indirectly in any Vendor of Spirits or in any retail licensee. A Vendor of Spirits must make each of its products available statewide to all retail licensees. While a Vendor of Spirits may utilize more than one ADA to cover the state, all document transmittals required by the Commission must be done by only one ADA.

Vendor Representative:

Vendors of Spirits are required to license an individual as a Vendor Representative who will represent them in transactions with the Commission. The Vendor Representative license fee is \$50.00 for a three year period. Additional information and application for Vendor Representative licenses may be found at the Commission's Website www.michigan.gov/lcc.

DEFINITIONS:

"**Alcoholic liquor**" means any spirituous, vinous, malt or fermented liquor, powder, liquids and compounds, or compounds, whether or not medicated, proprietary, patented, and by whatever name called, containing ½ of 1% or more alcohol by volume that are fit for food purposes or beverage purposes.

"**Spirits**" means any beverage which contains alcohol obtained by distillation, mixed with potable water or other substances, or both, in solution, and includes wine containing an alcoholic content of more than 21% by volume, except for sacramental wine and mixed spirit drink.

- MCL 436.1105(3), MCL 436.1111(14)

Manufacturing & Labeling:

Spirits must be manufactured, identified and labeled in accordance with federal spirit regulations published in Code of Federal Regulations Title 27, part 19 and Title 27, part 5. Contact the TTB for details.

- Administrative rules R 436.1825, R 436.1827, R 436.1829

Product Registration:

All spirit products must be registered with the Commission prior to their introduction in Michigan. All spirits are now registered on-line through the Commission's E-Quote system. Each Vendor of Spirits is provided with a User Name, Password and Database Identifier to access the on-line E-Quote spirit registration system. For more information on Michigan's on-line spirit product registration system, visit the Liquor Control Commission's Website at www.michigan.gov/lcc or contact the Commission's Financial Management Division at (866) 813-0011.

- Administrative rule R 436.1829

Mandatory Label Information (Pursuant to TTB Regulations):

- Brand name.
- Class, type or, in lieu of, a truthful & adequate statement of composition shall appear on the brand label of the product.
- Name and address of bottler or packer where bottled or packed.
- Net contents.
- Government Warning Statement.
- Alcohol content.

For Federal Labeling information contact:

Alcohol and Tobacco Tax and Trade Bureau
 Alcohol Labeling & Formulation
 650 Massachusetts Ave., N.W.
 Washington, DC 20226
 866-927-2533
www.ttb.gov

Sales To Consumers From Distillery

A Small Distiller is authorized to sell brands manufactured by the distiller from the licensed premises to consumers for on premises consumption and off-premises consumption (take-out sales) with no additional license.

A Small Distiller may also sell spirits made by that distiller in a restaurant for consumption on or off the distillery premises that is owned by the Small Distiller or operated by another person under an approved agreement by the Commission. Spirits sold for off premises consumption shall be sold at the uniform price set by the Commission.

- MCL 436.1534, MCL 436.1537(1)(p)(9), MCL 436.1603 (5)(6)

Hospitality Room – Sampling by Consumers:

A Small Distiller may allow persons 21 years of age or older to sample spirits manufactured by them at no charge in a hospitality room located at the manufacturing premises.

- MCL 436.2025

Church and School:

A new application to sell alcoholic beverages at retail (including manufacturers), or a request to transfer location of an existing license, may be denied if the contemplated location is within 500' of a church or school. The Commission may waive the church/school provision if the church or school does not file an objection to the proposed license. If the church or school files an objection, the Commission will hold a hearing before making a decision on the issuance of the license.

- MCL 436.1503

Tasting Room Location:

Licensed Small Distillers may apply for a Spirit Tasting Room location approval located off the distillery licensed premises. The Small Distiller may offer free tastings to the consumer and may sell for off premise consumption only, spirit products made by the Small Distiller. Under no circumstances may any other alcoholic beverage products other than those produced by the Small Distiller be sampled in the Tasting Room. Spirit products cannot be sold by the glass for consumption at the tasting room premises. Only samples may be provided. An annual license fee for the Tasting Room location is \$100.00.

- MCL 436.1537(9)

Other Manufacturing licenses:

A Small Distiller may obtain other manufacturing licenses including a Small Wine Maker, Brewer/Micro Brewer, Manufacturer of Spirits, and Manufacturer of Mixed Spirit Drink which allows the manufacture and sale of wine, beer and mixed spirit drinks.

- MCL 436.1113(9), MCL 436.1105(11), MCL 436.1109(6)

Permits

There are additional permits that a Small Distiller may apply for to be held in conjunction with their primary license.

- **Consumer Sampling Event license** -A Small Distiller, a Manufacturer of Spirits or Vendor of Spirits may obtain a Consumer Sampling Event license which allows spirit samplings to be conducted on licensed off-premises accounts that hold a Specially Designated Distributor (SDD) license. There is a one time \$70.00 fee for this permit. Upon issuance of this permit notification of sampling events must be received at least 10 days prior to the event and all employees or licensed agents conducting the sampling event must have successfully completed a server training program approved by the MLCC.
- **Outdoor Service Permit** - Permit allows the sale and consumption of alcoholic beverage in outdoor patio areas. The area must be under the control of the licensee.
- **Specific Purpose Permit** - Permit required to remain open for business after the legal closing hour of 2:00am, or to be open for business before 7:00am Monday through Saturday, or to open before 12:00 noon on Sunday, for the sale of food.
- **Direct Connection** - Technically this is not a Permit but rather permission from the Commission to maintain a direct connection between licensed premises and non-licensed premises. This permission will be required if your operations include multiple license holders who maintain inside connections to either non-licensed premises or licensed premises under the control of another licensee.
- **Living Quarters Permit** - Permit required when living quarters are directly connected to the licensed premises.
- **Dance Permit** - Permit required for dancing by customers on the licensed premises. Dance floor

must be clearly marked, void of tables and chairs when in use and a minimum of 100 square feet in dimension. Permit allows for dancing during the legal hours for the sale of alcoholic liquor only.

- **Entertainment Permit** - Permit required for monologues, dialogues, motion pictures, still slides, closed circuit television, contests, or other performances for public viewing on the licensed premises. An Entertainment Permit does not allow topless entertainment. Permit allows for entertainment only during the legal hours for the sale of alcoholic liquor. You do not need an Entertainment Permit for live bands, the playing of an orchestra, piano, or other types of musical instruments, singing or the viewing of any publicly broadcast television of a federally licensed station.
- **Sunday Sales AM** – Permit required for the sale of spirits, mixed spirit drink, beer and wine from 7 a.m.-12:00 noon, unless prohibited in the county and local governmental unit where the licensed establishment is located. \$160 fee.
- **Sunday Sales PM** – Permit required for the sale of spirits and mixed spirit drink from 12 noon-2:00 a.m. Monday morning, unless prohibited in the county and local governmental unit where the licensed establishment is located. \$15 fee – 15% of the license fee.

Interest In Another License

Michigan statute strictly prohibits a Small Distiller from holding any interest, directly or indirectly, in a **wholesale or retail license**. Examples of prohibited interests include: stock ownership, leasing real estate to/from a wholesale or retail licensee; interlocking officers or directors between licensees; financial interest such as a moneylender with a wholesale or retail licensee. A Michigan manufacturer **may** hold interest in another licensed supplier under MCL 436.1603 (8).

Aid and Assistance

MCL 436.1609, and Rule 436.1035 prohibit alcoholic beverage manufacturers, suppliers, wholesalers or warehousemen from aiding or assisting any other licensee by giving them anything of value. Further, a licensee is prohibited from accepting aid and assistance from another industry member. Alcoholic beverage suppliers are prohibited from giving anything of value to their wholesalers or retailers. Likewise, alcoholic beverage wholesalers are prohibited from giving anything of value to their retailers. This principle is the cornerstone of Michigan's trade practices regulatory structure. It is designed to provide a level playing field for all industry members. Suppliers, wholesalers and warehousemen are prohibited from giving anything of value to retail licensees, including but not limited to: alcoholic beverages, merchandise, furniture, fixtures, equipment, uniforms, cash or loans, labor, etc.

This same principle prohibits suppliers and wholesalers from providing free advertising, incentive programs, free or discounted product, draft system installation and maintenance, etc. Violations in the aid and assistance statute will result in all participants (retailer, wholesaler and supplier) being cited before the Commission.

Section 609 (3) of the Code, includes exceptions to the prohibition of items and services that a licensed supplier, wholesaler, or warehouseman may provide to any other vendor. Some of these exceptions include allowing suppliers, wholesalers, and warehousemen to provide advertising items that have no use or value beyond actual brand and price advertising, including, but not limited to: mirrors, napkin holders, and table tents to licensees. Further, Section 609 (5) allows retailers to possess and use beer and wine brand logoed barware, including, but not limited to: glassware, coasters, and napkins if they have been purchased from a third party barware retailer and also allows retailers to possess and use spirit brand logoed barware, such as: glassware, coasters, and napkins if purchased from a manufacturer of spirits, vendor of spirits, a licensed salesperson, or broker, or a third party barware retailer.

- MCL 436.1609, Administrative rule R 436.1035

Salesperson License:

Any person employed by a Small Distiller to sell, deliver, promote, or otherwise assist in the sale of Alcoholic liquor in this state is required to hold a Salesperson license issued by the Commission. Office personnel who work exclusively at the manufacturing premises and have no personal contact with consumers off the licensed premises do not need a Salesperson license. Salesperson's must be 18 years of age or older. A Salesperson license is \$35.00 for a three-year licensing period. Licensed salespersons are prohibited from being employed by a retail licensee on a paid or any other basis. Licensed truck drivers or delivery persons are prohibited from consuming alcoholic beverages while on duty.

- Administrative rule R 436.1853

Inspection of Premises and Books & Records:

A licensee must make the licensed premises available for inspection and search by a Commission Investigator or any law enforcement officer empowered to enforce the Commission's rules and code during regular business hours or when the premises is occupied. The Commission or its duly authorized agent may examine the books, records or papers of a licensee.

- MCL 436.1217, Administrative rule R 436.1645, R 436.1728

Samples to Retail Licensee and Staff:

A Small Distiller is allowed to sample their products with on-premises or off-premises retail licensees and the retailer's employees. Sample tastings may not be offered to consumers at licensed retail accounts. All containers used to sample products with retailers must be marked with the word "**Sample**" in lettering at least ½-inch high. A sample container must be removed from the premises within 24 hours and again may not be sampled by consumers.

- Administrative rules R 436.1001, R 436.1421, R 436.1511, R 436.1513, R 436.1863

Purchasing Drinks For Consumers:

A licensed Salesperson, for promotional purposes, may purchase one (1) drink for each customer of an on-premises retail licensee only. The drink shall be purchased from the on-premises licensee and shall be of a brand represented by the salesperson.

- Rule 436.1865

Advertising and Promotions:

Inside advertising signs must be unilluminated and no more than 3,500 square inches in dimension. Alcoholic beverage advertising provided by suppliers and wholesalers to retailers shall not have any use or value beyond the actual advertising of brands and prices of the alcoholic liquor, other than the exceptions provided in MCL 436.1609(2)(30(4).

- Administrative rules R 436.1305 – R 436.1331 MCL 436.1609

Compliance with Laws, Zoning & Ordinances:

A Small Distiller must comply with all state and local building, plumbing, zoning, sanitation, and health laws, rules and ordinances.

- Administrative rules R 436.1003, R 436.1105(3)

How To Contact The Michigan Liquor Control Commission:

Questions relating to a Small Distiller license and other non-retail licenses may be directed to:

Michigan Liquor Control Commission

Manufacturers & Wholesalers Section

P.O. Box 30005

Lansing, MI 48909

Toll free 866-813-0011 Fax 517-763-0060

email: MLCCMWapplications@michigan.gov

Website: www.michigan.gov/lcc