

Navigating the Different Types of Liquor Licenses in Michigan

July 11, 2024

Joseph A. Peterson
(248) 433-7158
jpeterson@plunkettcooney.com

Elaine M. Pohl
(248) 594-6356
epohl@plunkettcooney.com

Navigating the world of liquor licenses can be complex, especially with the variety of options available in Michigan.

Whether you're planning to open a bar, a restaurant or a convenience store, or even producing your own beer, understanding the different types of liquor licenses is crucial. Specifically, there are three main categories or tiers of licenses available: retailer, supplier and wholesaler.

Retailer Licenses

The most common tier of liquor license in Michigan is the retailer tier. Retailer licenses are designed for businesses that sell alcohol directly to consumers such as stores, restaurants, hotels, bars and clubs.

Most retailer licenses are issued as part of a quota system which limits the number of these types of licenses based on the population of the local government or municipality. Once the available licenses of a specific type are issued, no new licenses can be issued with a few very specific exceptions. Most retailer licenses can be transferred by location between municipalities so long as they are located within the same county.

In addition to the types of retailer licenses described below, the quota can be exceeded for special "resort licenses," Redevelopment Area licenses and Development District licenses. Unlike the more common forms of retailer licenses, each of these specialty licenses has special requirements such as a minimum investment in the municipality or the restoration of an existing building, and they cannot be transferred once the license is issued to a specific location.

Lastly, Michigan law has also created an exception to the quota cap for "special act" licenses. These licenses are generally issued to colleges and universities, organizations hosting international and national sporting events, motorsports complexes, municipal civic centers, county or municipal airports, and other special purposes.

On-Premises Licenses

On-premises licenses allow the sale and consumption of alcohol at the location where it is sold.

Common types include:

- **A-Hotel License:** For hotels with at least 25 rooms, allowing establishments to sell and serve beer, wine and mixed spirit drinks
- **B-Hotel License:** Includes the same privileges and requirements as the A-Hotel License but also allows the sale of spirits.
- **Tavern License:** This license permits the sale, service and consumption of beer, wine and mixed spirit drinks.
- **Class C License:** This license permits the sale, service and consumption of beer, wine, mixed spirit drinks and spirits on the licensed premises. It's ideal for bars and restaurants.
- **G-1 and G-2 Licenses:** These two license types allow a private, corporate golf club to sell and serve alcoholic beverages to the members of the golf club. A G-2 license does not allow for the sale of spirits. These two license types must be reclassified from an existing quota on-premises license.
- **Brewpub License:** This license type allows a licensee to serve its own beer to customers for both on and off premises consumption. Unlike the other license types on this list, this is a non-quota license.
- **Aircraft, Train and Watercraft Licenses:** Allow the sale and service of alcohol on airplanes, trains and boats with specific routes and timetables. This is a non-quota license.
- **Club License:** For private, nonprofit organizations to sell and serve alcohol to their members only. This is a non-quota license.
- **Special License:** A limited term license issued to nonprofit organizations to sell alcohol at fundraising events. This license is generally for one day only. This license type covers beer, wine and spirits sales and consumption and for a wine auction with wine donated by private individuals. An organization is limited to 12 special licenses every calendar year.
- **Beer Festival Special License:** Allows associations of brewers, micro brewers or brewpub licensees to hold beer festivals, limited to six events per year. The license can cover an event lasting up to three days in a row.
- **Continuing Care Retirement Center License:** Permits registered retirement centers to sell and serve alcohol to residents and their guests. Michigan law limits the number of these licenses issued statewide to 20 for continuing care facilities and five for homes for the aged.

Off-Premises Licenses

Off-premises licenses allow the sale of alcohol for consumption away from the point of sale. It is not uncommon for holders of an on-premises license to also hold one or more off-premises licenses as well. Common types include:

- **Specially Designated Merchant (SDM) License:** Allows convenience stores, grocery stores and gas stations to sell beer and wine for off-premises consumption.
- **Specially Designated Distributor (SDD) License:** Allows convenience stores, grocery stores and gas stations to sell spirits for off-premises consumption. The only on-premises licensees that can hold an SDD license are Class C and B-Hotel licensees because they are the only on-premises license that enables the sale of spirits for on-premises consumption.
- **Third Party Facilitator Service License:** Allows companies to facilitate the sale and delivery of alcohol from SDM or SDD licensees to consumers via a webpage or mobile application. While not technically a retailer in the same way as the other two license types, it is included due to statutory prohibitions on suppliers or wholesalers from holding this license.

Supplier / Manufacturer Licenses

Supplier / Manufacturer licenses are for entities involved in the production and supply of alcoholic beverages. These include:

Supplier Licenses

- **Seller of Beer/Mixed Spirit Drink/Wine/Self-Distributor:** A license that is issued to a manufacturer to sell to wholesale licensees who in turn sell to retailers. The holder of this license may be located in Michigan or another state. Each license type limits what kinds of liquor can be manufactured and sold to wholesalers with the exception of the Self-Distributor license that allows the sale of all liquor types.

Manufacturer Licenses

- **Brewer License:** A license issued to a manufacturer of beer that produces more than 60,000 barrels of beer a year. A licensee of this type can also sell beer directly to consumers through an on-premises tasting room permit.
- **Micro Brewer License:** This license is the same as the brewer license with the exception that the licensee manufactures 60,000 or less barrels of beer per year.
- **Distiller (Manufacturer of Spirits) License:** A license issued to a manufacturer of spirits that produces more than 60,000 gallons of spirits a year. A licensee of this type can also sell spirits directly to consumers through an on-premises tasting room permit.

- **Small Distiller License:** This license is the same as the distiller license with the exception that the licensee manufactures 60,000 or less gallons of spirits per year.
- **Wine Maker License:** A license issued to a manufacturer of wine that produces more than 50,000 gallons of wine a year. A licensee of this type allows for the sale of wine directly to consumers through an on-premises tasting room permit or at a farmer's market.
- **Small Wine maker License:** This license is the same as the wine maker license with the exception that the licensee manufactures 50,000 or less gallons of wine per year.
- **Brandy Manufacturer:** A license issued to a manufacturer of brandy from wine that allows it to sell brandy to the state's Liquor Control Commission for future sale to retailers. It can sell directly to consumers through an on-premises tasting room.
- **Mixed Spirit Drink Manufacturer:** A license issued to a manufacturer of mixed spirit drink products that contain less than 10% alcohol by volume. A licensee of this type can also sell its products directly to consumers through an on-premises tasting room permit.
- **Direct Shipper License:** Allows the direct shipment of wine to consumers.
- **Industrial Manufacturer License:** For the production of industrial alcohol.

Wholesaler Licenses

Wholesaler licenses are for businesses involved in the distribution and storage of alcoholic beverages. These include:

- **Wholesaler License:** Allows the distribution of beer, wine or mixed spirit drinks produced or brought into the state by licensees in the supplier tier to sell to licensees in the retailer tier. These License holders are often referred to as distributors.
- **Warehouser License:** Authorizes the storage of alcoholic beverages, which can be held by a manufacturer or wholesaler.

Conclusion

Understanding the different types of liquor licenses in Michigan is essential for any business planning to sell alcohol. Each license has specific requirements and conditions, including local legislative approval for certain licenses and limitations on the number of licenses that can be issued statewide. By choosing the right license for your business, you can ensure compliance with state regulations and successfully serve your customers.