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## **A New Law in Michigan Creates A Pathway for Micro-Distilleries**

**By Ryan K. Kauffman**

A recently enacted amendment to Michigan's Liquor Control Code will create opportunities for the State's small distillers and may usher in a new era of availability and appreciation of locally-produced and finely-crafted distilled spirits. The amendment to Michigan's Liquor Control Code, which has recently taken effect, requires the Liquor Control Commission to issue a small distiller license to applicants who annually manufacture not more than 60,000 gallons of spirits. This new class of license will allow the small distiller, also known as artisan distillers or micro-distillers, to sell spirits at retail from its licensed premises for consumption either on or off the premises. Prices will be controlled by the Commission. The license will also allow the small distiller to offer free sampling or tasting on the licensed premises. In other words, the Liquor Control Commission will allow a small distiller to sell brands of spirits that it manufactures for consumption, but will not consider the distiller to be a specially designated distributor.

With these features, the license will permit small distillers to offer its products to the public in much the same way that the wine and micro-brewing industries typically do. Until now, manufacturers that produced only distilled spirits were prohibited from selling directly to its customers or even offering free samples. Instead, they were required to sell their products through a third party as part of the state-run distribution system. Moreover, while distillers that were affiliated with a micro-brewery or winery (which generally produce fruit brandies and other distilled spirits through a more limited distillers' license) had been previously permitted to at least operate tasting rooms, sales of spirits directly to the public for on-premises consumption were not allowed.

Under the new law, however, small distillers will have greater flexibility in getting their products to their customers. Indeed, the optimism surrounding the new law have lead some in the industry to proclaim that small distillers are on the cusp of explosive growth similar to that of craft brewers in the 1980s. Currently, there are about 11 small distillers in Michigan, which is second only to California. It is anticipated that most, if not all, of these distillers will take advantage of the new law, and more small distillers may enter the market. That is not to say, however, that numerous micro-distilleries will spring up overnight. Michigan has one has one of the highest taxes on distilled spirits in the country. Still, the new law is a step in the right direction for consumers of alcoholic beverages who enjoy finely-crafted distilled spirits produced in small batches at the local level.

It is also important to note that under the new law, a small distiller licensee must comply with the Liquor Control Code's server training requirements. The Code requires the Commission to approve the establishment of a server training program designed for certain licensees. A server training program is an educational program whose curriculum has been approved by the Commission and is offered by an administrator or instructor to a retail licensee for its employees. The new law makes clear that server training program is required for a small distiller licensee operating a tasting room or making on-premises sales.

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