



Michigan Department of Energy, Labor & Economic Growth  
**MICHIGAN LIQUOR CONTROL COMMISSION (MLCC)**

7150 Harris Drive, P.O. Box 30005  
Lansing, Michigan 48909-7505

## **OFF PREMISES SPECIALLY DESIGNATED MERCHANT (SDM) LICENSE**

[Authorized by MCL 436.1541(1) and R 436.1103; MAC]

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This information sheet briefly describes the SDM license which is available from the MLCC. It provides an overview of the requirements of the SDM license and generally describes the process of obtaining the license. However, the investigation and licensing process is complex and certain applications may require additional information which is not specifically described in this information sheet.

**Definition** An **SDM** license is granted by the MLCC to a person for the retail sale of beer and wine for consumption off the licensed premises. The types of businesses that generally have SDM licenses are convenience stores, grocery stores, and drug stores. Additionally, SDM licenses are frequently held in conjunction with other types of licenses.

**Availability** **SDM** licenses are not subject to a quota. SDM licenses may be obtained as a new license, through a transfer of ownership of an existing license at the same location, or as a transfer of ownership and location.

**Investigation Fees** There is an investigation fee of \$70 due at the time of the original application for an **SDM** license.

**Licensing & Renewal Fees** The license must be renewed each year by May 1. The license is effective May 1 through April 30. The license is generally renewed upon application and payment of the renewal fee, unless there is a hold on the renewal of the license for violations, objection to renewal by the Michigan Department of Treasury, dissolution of the licensed corporation, and other such things. If the reason for the hold on the renewal of the license is not resolved by May 1, the sale of alcoholic beverages must cease until the license is renewed. The license renewal fee for an SDM license is \$100 per year. **License fees are not prorated.**

### **Requirements for SDM License**

The general requirements for licensing are shown here. There may be additional requirements and exceptions which are defined more specifically in the Liquor Control Code of 1998 or the Michigan Administrative Rules of the Liquor Control Commission.

**Location** *Motor Vehicle Fuel Pumps* – In general an SDM license will not be issued to an applicant that sells motor vehicle fuel or that has a direct or indirect interest in a business that sells motor vehicle fuel at the proposed licensed location. However, there are exceptions to this prohibition as indicated in the following: [\[MCL 436.1541\]](#)

- The applicant is located in a neighborhood shopping center which provides not less than 50,000 square feet of gross leasable retail space; provides not less than 5 private off-street parking spaces for each 1,000 square feet of gross leasable retail space; and the site of payment and selection of alcoholic liquor is not less than 50 feet from the point where motor vehicle fuel is dispensed.
- The applicant maintains a minimum inventory on the premises, excluding alcoholic liquor and motor vehicle fuel, of not less than \$250,000, at cost, of those goods and services customarily marketed by approved types of businesses and the site of payment and selection of alcoholic liquor is not less than 50 feet from the point where motor vehicle fuel is dispensed.
- The applicant is located in a township with a population of 7,000 or less which is not contiguous with any other township; the applicant maintains a minimum inventory on the premises, excluding alcoholic liquor and motor vehicle fuel, of not less than \$12,500, at cost of those goods and services customarily marketed by approved types of businesses; and the applicant has the approval of the township as evidenced by a resolution duly adopted by the township and submitted to the MLCC.
- The applicant is located in a city, incorporated village, or township with a population of 3,500 or less in a county with a population of 31,000 or more or the applicant is located in a city, incorporated village, or township with a population of 4,000 or less in a county with a population of less than 31,000; and the applicant maintains a minimum inventory on the premises, excluding alcoholic liquor and motor vehicle, of not less than \$10,000, at cost of those goods and services customarily marketed by approved types of businesses.

*Drive Through/Drive In* – An SDM license will not be issued to any applicant that operates a drive-through or drive-in business for the sale of alcoholic beverages. Additionally, a licensee may not change the nature of the business to include a drive-through or drive-in for the sale of alcoholic beverages. [[R 436.1129\(7\)](#)]

*State and Local Codes* – SDM businesses must comply with state and local codes for building, plumbing, zoning, fire, sanitation, and health laws, and ordinances. [[R 436.1105\(3\)](#)]

## **Business Ownership**

*Individual Ownership* - The individual owner will be investigated separately to determine compliance with the Personal Qualifications indicated below. The individual must complete and execute An Application for New Licenses or Application of Buyers for Transfer of Ownership or Interest in License ([LC-687](#)) form.

*General Partnership* – Each partner of the general partnership will be investigated separately to determine compliance with the Personal Qualifications listed below. Each general partner must complete and execute An Application for New Licenses or Application of Buyers for Transfer of Ownership or Interest in License ([LC-687](#)) form.

*Limited Partnership* – Each general partner of the limited partnership will be investigated separately to determine compliance with the Personal Qualifications listed below. Each general partner must complete and execute An Application for New Licenses or Application of Buyers for Transfer of

Ownership or Interest in License ([LC-687](#)) form. Each limited partner must complete and execute Limited Partners, Stockholders, or Members Statement ([LC-38](#)) form. A Limited Partnership Agreement, a filed Certificate of Limited Partnership, and verification that the limited partnership is authorized to do business in Michigan must be provided at the time of application.

*Corporation* – Each stockholder of the corporation will be investigated separately to determine compliance with the Personal Qualifications listed below. Each corporation must complete An Application for New Licenses or Application of Buyers for Transfer of Ownership or Interest in License ([LC-687](#)) form. Each stockholder of the corporation must complete Individual Stockholder, Limited Liability Member or Corporate Stockholder Questionnaire ([LC-621](#)). Filed Articles of Incorporation and verification that the corporation is authorized to do business in Michigan must be provided at the time of application.

*Limited Liability Company* - Each member of the limited liability company will be investigated separately to determine compliance with the Personal Qualifications listed below. Each limited liability company must complete An Application for New Licenses or Application of Buyers for Transfer of Ownership or Interest in License ([LC-687](#)) form. Each member of the limited liability company must complete Individual Stockholder, Limited Liability Member or Corporate Stockholder Questionnaire ([LC-621](#)). An Operating Agreement and verification that the limited liability company is authorized to do business in Michigan must be provided at the time of application.

## **Personal Qualifications**

*Age* – All individuals, members of partnerships and stockholders/members in privately held corporations and limited liability companies (LLC) must be at least 21 years old. [[R 436.1105 \(1\)](#)]

*Criminal Record* – All individual applicants, members of partnerships, and stockholders/members in privately held corporations and LLC must report the disposition of all arrests and convictions (except minor traffic tickets unless they involve alcoholic liquor) to the MLCC. Applicants will be fingerprinted by the local law enforcement agency and all arrests and convictions will be verified. The MLCC pays particular attention to felonies, crimes involving the excessive use of alcoholic liquor, violence, and any other offense that may impair the ability of the applicant to operate a licensed business in a safe and competent manner. [[R 436.1105 \(2\)](#)]

*Character and Reputation* - The MLCC may consider the applicant's management experience in the alcoholic liquor business, the applicant's general management experience, the applicant's general business reputation, and the applicant's moral character in determining whether a license or permit may be issued. [[R 436.1105 \(2\)](#)]

*Previously Licensed* – Any person who has had a license revoked or revoked unless transferred to another person is not eligible to receive another license for a period of at least two years. [[MCL 436.1907](#)]

*Law Enforcement Officers* – Law enforcement officers and their spouses may not hold an interest, directly or indirectly, in a license if the license is in the same city, village, or township in which the person enforces the state or local

penal laws unless the official is contractually prohibited from enforcing the Liquor Control Code. This prohibition includes being an investor, stockholder, member, partner, limited partner, or a landlord. [\[MCL 436.1523\]](#)

**Approved  
Business**

The applicant for an SDM license must operate an approved type business. The following is a list of approved type businesses: [\[R 436.1129\(1\)\]](#)

- A grocery store
- A convenience food store
- A food specialty store
- A meat market
- A delicatessen
- A drugstore
- A patent medicine store
- A tobacconist that is in compliance with subrule (3)(e) of this rule
- A department store that includes 1 or more of the stores listed in subdivisions (a) to (h)
- A specially designated distributor
- A Class C
- A Class B Hotel
- A Club
- A Tavern
- A Class A Hotel

*Application forms are available on the Michigan Liquor Control Commission's website at [www.michigan.gov/lcc](http://www.michigan.gov/lcc). Once you have filed your application with the Michigan Liquor Control Commission, you may also check the status of your request on the Michigan Liquor Control Commission's website under the Application Status Check.*

## STEPS IN OBTAINING AN SDM LICENSE

### Applicant for New License

- Determine the type of licenses and permits to include in the application.
- Send the forms, filings, and agreements for the type of Business Ownership indicated above, real estate documents (copy of lease, option to lease, purchase agreement, land contract, or warranty deed), and a non-refundable \$70 for each license requested. In the alternative, complete the Initial Application [[LC-1135](#)] form and application forms and instructions will be mailed to the applicant.

### Applicant to Transfer Ownership

- Enter into a preliminary purchase agreement or offer to purchase with the current licensee. DO NOT COMPLETE THE SALE UNTIL FINAL APPROVAL IS RECEIVED FROM THE MLCC.
- Send the forms, filings, and agreements for the type of Business Ownership indicated above, real estate documents (copy of lease, option to lease, purchase agreement, land contract, or warranty deed), and a non-refundable \$70 for each license requested to the MLCC Lansing Office. In the alternative, complete and send the Initial Application [[LC-1135](#)] form and application forms and instructions will be mailed to the applicant. The [Special Activity Permits](#) held by the current licensee will be transferred unless otherwise indicated.

### Application to Transfer Location

- Determine that the proposed new location will meet all the necessary requirements.
- Enter into a preliminary purchase agreement or offer to purchase with the current licensee. DO NOT COMPLETE THE SALE UNTIL FINAL APPROVAL IS RECEIVED FROM THE MLCC.
- Send the forms, filings, and agreements for the type of Business Ownership indicated above, real estate documents (copy of lease, option to lease, purchase agreement, land contract, or warranty deed), and a non-refundable \$70 for each license requested to the MLCC Lansing Office. In the alternative, complete and send the Initial Application [[LC-1135](#)] form to the MLCC Lansing Office and application forms and instructions will be mailed to the applicant. The [Special Activity Permits](#) held by the current licensee will be transferred unless otherwise indicated.

**NOTE:** Applicants for new licenses, transfers of ownership, transfers of location, and transfers of ownership and location should be prepared to provide copies of income tax returns for the past two years; checking account statements, savings account statements, and any other financial documents verifying the funds used for these transactions; and verification from the bank or other state or federally approved lending institutions indicating the intent to loan the funds for this transaction and the security for said loans.

### MLCC LICENSING DIVISION

- Review the forms, filings, and agreements for the type of Business Ownership indicated above, real estate documents (copy of lease, option to lease, purchase agreement, land contract, or warranty deed), and a non-refundable \$70 for each license received from the applicant. Based upon the review, forward a Notice of Deficiency to the applicant indicating additional forms, documents, and/or fees, if any, required to proceed with the application.
- In the alternative, if an Initial Application [[LC-1135](#)] form is received, review to determine whether the application is for a new license, transfer ownership of an existing license, transfer location of an existing license, or to transfer ownership and location of an existing license; to determine type of business ownership; and to determine any additional licenses or permits requested. Based upon the review, forward a Notice of Deficiency to the applicant indicating additional forms, documents, and/or fees required to proceed with the application.
- When all the necessary documents, forms, and fees are received, the application will be authorized for investigation and referred to the Enforcement Division. During the course of the investigation, the Enforcement Division will release any appropriate forms to the local law enforcement agency and the local legislative body.

### MLCC ENFORCEMENT DIVISION

- Application file is received in the MLCC District Office from the Licensing Division and is assigned to an Enforcement investigator.
- The Enforcement investigator reviews the application file to determine what information will be needed from the applicant to determine eligibility requirements. The Enforcement investigator notifies the applicant with a list of requirements. If the application is a transfer of ownership of an existing license, the Enforcement investigator notifies the current licensee with a list of requirements to determine the present ownership.
- The Enforcement investigator releases the Police Investigation Report (LC-1800) together with fingerprint cards, if required, to the local law enforcement agency.
- The Enforcement investigator sets an appointment to meet with the applicant to review documents and obtain the necessary information to complete the investigation. If the application is a transfer of ownership of an existing license, the Enforcement investigator sets an appointment to meet with the current licensee to review documents and obtain the necessary information to complete the investigation.
- Upon completion of the preliminary investigation, the Enforcement investigator prepares the investigation report with any attached diagrams, documents, and forms and submits the file to the Enforcement supervisor for review.
- Upon review and determination by the Enforcement supervisor that the investigation report is complete, the application file is returned to the MLCC Licensing Division in Lansing for further processing.

### LOCAL POLICE AND LEGISLATIVE BODY

- Local law enforcement agency completes the Police Investigation Report, fingerprints applicants, and collects fingerprint fees, if required. Based upon its investigation, the local law enforcement provides information and a recommendation to the MLCC.

### MLCC LICENSING DIVISION

- Upon receipt of the investigation report from the MLCC Enforcement Division, and the Police Investigation Report and fingerprint cards, if required, from the local law enforcement agency, the application file is prepared for review and consideration by the MLCC Administrative Commissioners at a regularly scheduled Licensing Meeting.
- Order is prepared based upon the decision of the MLCC Administrative Commissioners.
- The applicant is advised of the decisions of the MLCC Administrative Commissioners as follows:
  - If approved** a Fee Statement letter or Checklist is prepared requesting the forms, documents and fees required to complete the application.
  - If denied** a Notice of denial together with the MLCC Order advising of the basis of the denial and the right to an appeal hearing is sent to the applicant.

### MLCC ADMINISTRATIVE COMMISSIONERS

- Review information provided in the application files to determine whether application should be approved, denied, or held for further information.
- Advise Licensing Division of its decision.

### APPLICANT

- **If approved** – Complete and return all requested forms, documents and fees to the MLCC Lansing office. This includes proceeding with plans to purchase or lease property, complete the purchase of the existing **SDM** licensed business, and/or complete any required inspections of the proposed licensed establishment by the MLCC Enforcement Division, the local law enforcement agency, and/or the local governmental body.
- **If denied** – determine whether to request an appeal of the denial of the licensing application. The request for a hearing must be received in the MLCC Lansing office within 20 days from the date of the mailing of the decision of the denial. Appeal hearings of licensing decisions are generally held in the MLCC Lansing office on Tuesdays and in the MLCC Farmington office on Thursday.