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DATE: August 14, 2012

TO: All Authorized Distribution Agents

FROM: Michigan Liquor Control Commission
Financial Management Division

SUBJECT: Invoice Pricing Structure Change

The Michigan State Legislature has repealed the 1.85% specific liquor tax that is imposed on sales to off-premise licenses. This repeal is effective October 1, 2012. Therefore, you will need to change your invoice pricing structure to eliminate the 1.85% tax from your formula. When preparing the line item net total amount for each code, the following formula should be used:

(Base Price – Discount* + Taxes) x Number of Bottles**

***Discount**

Base Price x .17 (rounded to the nearest penny)

****Taxes**

Base Price x .04 (rounded to the nearest penny) x 3

For example, the line item totals for liquor sales of 12 bottles of three different codes would be computed as follows:

Code A Base Price = \$40.35 Code B Base Price = \$20.15 Code C Base Price = \$14.20

Code A

Base Price	\$ 40.35
Less: Discount	6.86 (\$40.35 x .17)
Add: Taxes	<u>4.83</u> (\$40.35 x .04) x 03
Net Amount Per Bottle	\$ 38.32
	x <u>12</u>
Line Item Total	<u>\$459.84</u>

Code B

Base Price	\$ 20.15
Less: Discount	3.43 (\$20.15 x .17)
Add: Taxes	<u>2.43</u> (\$20.15 x .04) x 03
Net Amount Per Bottle	\$ 19.15
	x <u>12</u>
Line Item Total	<u>\$229.80</u>

Code C

Base Price	\$ 14.20
Less: Discount	2.41 (\$14.20 x .17)
Add: Taxes	<u>1.71</u> (\$14.20 x .04) x 03
Net Amount Per Bottle	\$ 13.50
	x <u>12</u>
Line Item Total	<u>\$162.00</u>

When preparing the invoice's final totals, use the following formula:

$$\text{(Total Base Amount - Total Discount + Total Taxes) = Net Invoice Amount}$$

Continuing the example above, the total amounts for the invoice would be computed as follows:

Total Base Amount	\$896.40 (\$40.35 x 12) + (\$20.15 x 12) + (\$14.20 x 12)
Less: Total Discount	152.40 (\$6.86 x 12) + (\$3.43 x 12) + (\$2.41 x 12)
Add: Total Taxes	<u>107.64</u> (\$4.83 x 12) + (\$2.43 x 12) + (\$1.71 x 12)
Net Invoice Amount	<u>\$851.64</u> (\$459.84 + \$229.80 + \$162.00)

The new pricing structure should be reflected on invoices starting October 1, 2012. If you have any questions, please contact Pam Hamilton at 517-322-1379.