

Michigan Liquor Control Commission
FY 2016 Direct Shipper Enforcement Report
Required by PA 268 of 2016 (Section 402)

In 2016 the Michigan Liquor Control Commission (MLCC) Enforcement Division continued its on-going efforts to monitor direct shipments of wine from non-MLCC licensed wineries and retailers to Michigan consumers. Over 1,000 attempts to purchase wine were made by the Enforcement Division via telephone and internet from both MLCC licensed and MLCC unlicensed wine sellers.

The enforcement efforts procured 300+ purchases with delivery of wine into the state. Based on those purchases, 40 requests were made to the Michigan Office of Attorney General for *Cease and Desist* letters to be sent to the unlicensed sellers prohibiting them from illegally shipping alcohol into the state of Michigan.

Some of the sellers who shipped wine to the MLCC Enforcement Division investigators held the appropriate MLCC "Direct Shipper" license. Of those sellers, 35 were issued Violation Warning Notices for minor violations including labeling issues, late sales and tax reporting by the licensee, or no accompanying shipping document.

In addition to Violation Warning Notices, the MLCC Enforcement Division submitted 24 Violation Reports to the Michigan Office of Attorney General for matters including major labeling issues, failure to submit sales and tax reports, failure to pay appropriate taxes for alcohol sold in Michigan, failure to obtain product registration, shipping in excess of the allotted amount of wine into the state of Michigan, or sale to an underage purchaser.

During the 2016 calendar year, MLCC Enforcement Division investigators also made 800+ attempts to purchase wine that did not result in a purchase. Reasons for these unsuccessful attempts included wineries with "on-site sales only" requirements, website malfunctions prohibiting completion of sale, wineries no longer in business, and wineries with no shipment to Michigan policies.

Because it is unknown as to how much wine is illegally being imported into Michigan it is not possible to determine the loss of sales, excise, and use tax revenue for the State of Michigan. By continuing its on-going efforts, the MLCC Enforcement Division is reducing the amount of wine being illegally shipped into Michigan.

January 20, 2017