

Michigan Liquor Control Commission
2017 Direct Shipper Enforcement Report
Required by PA 107 of 2017 (Section 402)

In 2017 the Michigan Liquor Control Commission (MLCC) Enforcement Division sustained its efforts of monitoring and examining shipments of wine from wineries, retailers, and third-party marketers directly to Michigan consumers. Efforts were focused on in-state and particularly out-of-state wineries/retailers/third party marketers who are unlawfully shipping alcohol directly to consumers in Michigan. Unlawful direct shipments were identified and enforcement actions were taken against those not in compliance with Michigan Liquor Control Code and Administrative Rules.

The 2017 MLCC Enforcement Division dedicated over 2000 hours toward identifying and stopping unlicensed shipments of alcohol into the state of Michigan. Five investigators and their supervisors, an underage purchaser, along with an upper management team have all worked a variety of hours on this project during 2017. Expenses included salaries/benefits of employees, vendor payments for hours worked by underage purchaser, and purchase price/shipping/storage of all products purchased.

During 2017, in addition to research, public education, and follow-up contacts from previous purchases, the MLCC Enforcement Division made and received approximately 140 alcohol purchases that were delivered directly to the consumer in Michigan. Approximately 2/3 of the sellers were wineries and 1/3 were retailers and third party marketers.

About half of the 2017 wine purchases were made from sellers who were not licensed by the MLCC, while the other half were purchased from sellers who were licensed by MLCC with a Direct Shipper License.

- In an effort to prohibit those sellers from illegally shipping alcohol directly to Michigan consumers, details regarding alcohol purchases made from MLCC-unlicensed sellers were referred to the Michigan Attorney General's Office with a request for *Cease and Desist* letters to, and/or further legal action against, unlicensed sellers.
- Alcohol purchases made from MLCC-licensed sellers resulted in 4 written Violation Warning Notices being issued for minor violations (package labeling issues or minor shipping document matter) and 24 MLCC Violation Reports being submitted for major labeling issues, failure to obtain product registration approval, failure to report and/or pay applicable sales and taxes, or sale to underage purchaser. Fifteen of the 24 violation reports were for sale to underage purchaser.

Approximately 38,000 milliliters (25,000 from unlicensed wineries and 13,000 from unlicensed retailers/third-party marketers) were determined to have illegally been shipped into the state of Michigan via MLCC Enforcement controlled buys in 2017.

One of the MLCC Enforcement Division's objectives is to identify and take action against entities not in compliance with the Michigan Liquor Control Code and Administrative Rules. Many hours were spent educating and providing guidance to wineries who were not, but later became in compliance with the State of Michigan direct shipper laws. Many additional hours were spent pursuing written warnings and violation reports against MLCC Direct Shipper licensees, and requests for assistance with legal action from the Michigan Attorney General's Office.

MLCC Enforcement has demonstrated the problem of illegal shipments of alcohol into the State of Michigan. Continued additional efforts are necessary for the protection of Michigan residents and guests. The MLCC Enforcement Division holds limited administrative authority and would be even more effective if able to enforce violations of law against non-MLCC licensed importers. The Enforcement Division will continue its efforts of curtailing illegal alcohol importation into the state of Michigan by conducting in-depth analyses of business entities without proper licensure.