

Michigan Liquor Control Commission
2018 Direct Shipper Enforcement Report
-Required by PA 207 of 2018 (Section 401)-

In 2018, the Michigan Liquor Control Commission (MLCC) Enforcement Division maintained its focus and efforts on the prevention and cessation of shipments of wine from unlicensed wineries, retailers and third-party marketers directly to Michigan consumers. Furthermore, shipments from both in state and out of state licensed entities were examined for compliance with the Michigan Liquor Control Code and Administrative Rules.

During 2018, eight investigators and their supervisors guided by upper management personnel, devoted over 2,500 hours toward enforcement of direct shipper laws. Expenses for the team include partial salaries and benefits of employees working on the project along with costs for the purchase, shipment and storage of all products bought on-line. Expenditures were approximately \$97,500.

The MLCC Enforcement Division facilitated approximately 120 purchases of alcohol, that were shipped directly to consumers in Michigan. This represents in excess of 90,000 milliliters of alcohol. Of that total, it has been determined that roughly 66,000 milliliters were shipped illegally by unlicensed entities, including roughly 49,000 from unlicensed wineries and 17,000 from unlicensed retailers and third party marketers. The above purchases resulted in 48 requests to the Michigan Office of Attorney General to send Cease & Desist letters to said unlicensed sellers.

The remaining 24,000 milliliters of alcohol purchased by the MLCC Enforcement Division involved Michigan licensed sellers in compliance and Michigan licensees who received Enforcement action including 18 Violation Reports for various violations including failure to require identification from recipients, failure to report sales to MLCC, failure to pay taxes on sales, and sales of unregistered products. Of these violations, one resulted in the cancellation of the Direct Shipper License. In addition, two Violation Warning Notices were issued to licensed wineries for minor violations such as labeling or invoice infractions.

In Michigan, a common carrier that transports alcoholic liquor into this state directly to a consumer is required to submit to the Commission quarterly reports documenting all deliveries of alcohol. During 2018, increased emphasis was placed on reviewing common carrier reports from both Federal Express and United Parcel Service. These reports generated a review of about 400 shippers, resulting in an additional 78 requests to the Michigan Office of Attorney General for Cease & Desist letters to be sent and/or further legal action against the unlicensed sellers. This review of shipments also led to in-depth investigations of “shipper services”, some of which are operating illegally.

Additional enforcement activity included the provision of education and direction to wineries/shippers throughout the country to facilitate compliance with the Michigan Liquor

Control Commission Code and Rules. The Enforcement Division encountered many businesses that were of the impression they were operating legally when they were not. Investigations also revealed third-party marketers and shipping services illegally acting on behalf of wineries. The Enforcement Division continues to address these matters as they unfold.

The MLCC Enforcement Division continues to demonstrate the problem of illegal shipments of alcohol into the State of Michigan. Due to its limited administrative authority, the Enforcement Division can only take action against MLCC licensees while referring non-MLCC licensed shippers to the Michigan Office of Attorney General.

MLCC continues its efforts to protect the residents of Michigan from the illegal importation of alcohol into the state. During 2019 the MLCC Enforcement Division plans to increase its emphasis on investigation of shipments reported by the common carriers while also continuing the in-depth and time-consuming investigations of illegally operating third-party marketers and shipping services.