

Illegal Shipping of Wine Report for FY 2025

Pursuant to Section 401 of
Public Act 121 of 2024

February 1, 2025

Prepared by:

Michigan Liquor Control Commission



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Executive Summary:

Section 401 of Public Act 121 of 2024 requires the following:

(1) From the funds appropriated in part 1 from the direct shipper enforcement revolving fund, the liquor control commission shall expend the funds as required under section 203(11) of the Michigan liquor control code of 1998, 1998 PA 58, MCL 436.1203, to investigate and audit unlawful direct shipments of wine by unlicensed wineries and retailers, with priority directed toward unlicensed out-of-state retailers and third-party marketers. In addition to other investigative methods, the commission shall use shipping records available to the commission under section 203(21) of the Michigan liquor control code of 1998, 1998 PA 58, MCL 436.1203, to assist with the effort to investigate and audit unlawful direct shipments of wine by unlicensed wineries and retailers. The liquor control commission shall refer all identified unlicensed out-of-state retailers and third-party marketers to the attorney general.

(2) Not later than February 1, the liquor control commission shall provide a report to the legislature and the standard report recipients that details the commission's activities to investigate and audit the illegal shipping of wine and the results of the activities. The report must include all of the following:

- (a) Work hours spent, specific actions performed, and the number of full-time equated positions dedicated to identifying and stopping unlicensed out-of-state retailers, third-party marketers, and wineries that ship illegally in Michigan.*
- (b) General overview of expenditures associated with efforts to identify and stop unlicensed out-of-state retailers, third-party marketers, and wineries that ship illegally in Michigan.*
- (c) Number of out-of-state entities found to have illegally shipped wine into Michigan and total number of 750 ml bottles, number of cases with 750 ml bottles, number of liters, number of gallons, or weight of illegally shipped wine. These items must be itemized by total number of retailers and total number of wineries.*
- (d) Suggested areas of focus on how to address direct shipper enforcement and illegal importation in the future.*

(3) From the funds appropriated in part 1 from the direct shipper enforcement revolving fund, the liquor control commission shall send a notice to each unlicensed out-of-state entity found to have illegally shipped wine into Michigan. The notice must include all of the following statements:

- (a) That shipping wine into Michigan by unlicensed out-of-state retailers and third-party marketers is illegal, and wineries shipping into Michigan must obtain a direct shipper license.*
- (b) That under section 909 of the Michigan liquor control code of 1998, 1998 PA 58, MCL 436.1909, making unlawful shipments of wine into Michigan may be a felony punishable by imprisonment for not more than 4 years or a fine of not more than \$5,000.00, or both.*
- (c) That the matter has been referred to the attorney general.*

Pursuant to these requirements, this report has been prepared and issued electronically to the House and Senate appropriations standing committees to meet the **February 1** reporting requirements. This report is also available online at: <https://www.michigan.gov/lara/about/legis-report>.

MICHIGAN LIQUOR CONTROL COMMISSION
2024 Direct Shipper Enforcement Report
Pursuant to P.A. 121 OF 2024, Section 401

The Michigan Liquor Control Commission (MLCC) continued its efforts to identify and investigate unlicensed out-of-state retailers, third-party marketers, and wineries who are illegally shipping alcohol into Michigan. MLCC examined, researched, reviewed, compared, and analyzed shipments of wine that were unlawfully delivered directly to Michigan consumers. Supplemental time was spent on social media sites of businesses to uncover more of what the business practices entailed and to gain a deeper understanding and a complete picture of the business model. In conjunction with MLCC's investigative process, online purchases and review of common carrier reports were made in an effort to examine and locate unlawful direct shipments from both in-state and out-of-state licensed entities to determine compliance with the Michigan Liquor Control Code and Administrative Rules.

In 2024, MLCC enforcement efforts were contributed by an analyst, seven investigators, and five supervisors who were guided by upper management personnel. The team invested over 3,200 hours which included: training, research, emails, phone calls, online meetings, making online purchases, evidence tracking, and report writing. Enforcement expenses include partial employee salaries and benefits, administrative costs along with online alcohol purchases, shipping fees, maintenance, storage and destruction of evidence. The Michigan Department of Licensing and Regulatory Affairs (LARA) reported Direct Shipper Enforcement 2024 expenditures to be \$182,218.

Fifty-one (51) out-of-state entities were investigated by the MLCC through online purchases. Forty-one of these entities were identified as being unlicensed. A total of 97 bottles of alcohol was acquired through online purchases. Seventy-three of those bottles were purchased from unlicensed wineries, retailers and third-party marketers representing 54,750 milliliters of alcohol shipped illegally. The above purchases resulted in 41 requests to the Michigan Office of Attorney General to send Cease & Desist letters to these unlicensed sellers.

The remaining 24 bottles were purchased from MLCC licensed sellers representing 18,000 milliliters of alcohol. These sellers were found to be either in compliance with MLCC or were issued a Violation Warning Notice/Violation Report. Eleven (11) Violation Warning Notices were issued to licensees and an additional thirty-seven (37) Violation Reports were submitted to the Michigan Office of Attorney General. Administrative hearing orders released in 2024, resulted in fines. Common violations included: failure to register products, failure to verify age at time of purchase and delivery, failure to include an invoice in box, failure to properly label the shipping box stating it contains alcohol and must be delivered to 21+, over shipping in excess of 13,500 liters of wine annually, and use and benefit of a liquor license.

The MLCC continued to focus on reviewing common carrier reports that indicate wine shipments directly to Michigan consumers. The reports are required to be submitted to the Commission quarterly detailing all deliveries of alcohol into the state of Michigan. Reports were received from both Federal Express and United Parcel Service. Those reports outlined the details of thousands of deliveries. Factors to consider by the MLCC included whether the entity was licensed, where the product originated, and whether a shipping facility was involved. Despite the difficulties encountered during these in-depth investigations, an additional 46 requests were forwarded to the Michigan Office of Attorney General to send Cease & Desist letters to these unlicensed sellers.

Supplemental enforcement activities included educating unlicensed and licensed businesses to further their knowledge of and to gain compliance with the Michigan Liquor Control Commission Code and Rules. Follow up attempts to purchase alcohol were conducted on entities who received Cease & Desist letters from the Michigan Office of Attorney General. Results included the following actions by the alcohol sellers:

- Amended website to reject sales and shipments of wine to Michigan
- Canceled customer orders advising they do not ship wine to Michigan
- Applied for and received the required Direct Shipper license
- No change made to shipping practices and again shipped wine to Michigan
- Website found to no longer exist

Entities continuing to ship alcohol to Michigan consumers after receiving a Cease and Desist letter are forwarded to the Michigan Office of Attorney General for further legal action. In 2024, the MLCC conducted numerous 2nd attempt checks of previously identified unlicensed shippers. A total of 27 bottles of alcohol was acquired through online purchase and represented 20,250 ml of alcohol from unlicensed wineries, retailers and third-party marketers. Of those a total of 18 Requests for Further Legal Action were forwarded to the Michigan Office of Attorney General for the filing of 21st Amendment Enforcement Act Lawsuits for these repeat offenders.

The MLCC continues to recognize the problem of illegal shipments of alcohol into the State of Michigan by unlicensed wineries, retailers, and third-party marketers. The Commission followed up with all licensees that failed to renew their Direct Shipper license for the 2024-2025 year. A total of 24 licensees were cited with violations for shipping wine into Michigan without an active Direct Shipper license.

The MLCC strives to deter the illegal importation of alcohol into the state. During 2025, the Commission plans to continue investigations of large volume shippers detailed on the common carrier report.