

HOUSE BILL REPORT

SSB 5834

As Passed House:
April 9, 2009

Title: An act relating to alcoholic beverage regulation.

Brief Description: Regarding alcoholic beverage regulation.

Sponsors: Senate Committee on Labor, Commerce & Consumer Protection (originally sponsored by Senators Kohl-Welles and Holmquist).

Brief History:

Committee Activity:

Commerce & Labor: 3/20/09 [DP].

Floor Activity

Passed House: 4/9/09, 98-0.

Brief Summary of Substitute Bill

- Permits liquor licensees to conduct various activities, including: (1) wineries to maintain a warehouse for distribution of its wine in certain circumstances; (2) distillers to donate spirits to certain organizations; (3) a licensee to transfer up to 20 cases of wine annually to another licensee under common ownership; and (4) wineries to perform pouring services for special occasion and private club licensees.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Chandler, Crouse, Green, Moeller and Williams.

Staff: Joan Elgee (786-7106)

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Liquor Control Board (Board) issues a number of types of licenses to manufacturers, distributors, and retailers of liquor. Activities permitted and prohibited under each type of license vary.

Manufacturers. Domestic wineries, breweries, and microbreweries may distribute and sell at retail their own products. Legislation enacted in 2008 allows a microbrewery that distributes its beer to maintain one warehouse off its premises for distribution with approval of the Board.

The giving away of liquor by a manufacturer is generally prohibited. One exception allows a winery or brewery to donate wine and beer, respectively, to a nonprofit charitable corporation or association exempt from taxation under section 501(c)(3) or 501(c)(6) of the Internal Revenue Code. (Section 501(c)(6) exempts from taxation qualified trade associations, chambers of commerce, and others.)

Generally, a manufacturer or distributor may not provide things of value to a retailer. One exception allows a domestic or out-of-state winery to provide pouring services on the premises of: (1) spirits, beer, and wine restaurant licensees; (2) wine and/or beer restaurant licensees; and (3) specialty wine shop licensees.

Out-of-state breweries and wineries must obtain a certificate of approval to sell to a Washington distributor and may, with an endorsement, also sell directly to a Washington retailer. An out-of-state winery or brewery which does not hold a certificate of approval may appoint an authorized representative as its exclusive representative for marketing and selling its products.

Retailers. In 2008 the Legislature allowed spirits, beer, and wine restaurant licensees to sell any bottled wine for off-premises consumption. Previously, the licensees were limited to selling Washington wine that carried a label exclusive to the license holder.

Kegs (or other containers holding four gallons or more) of malt liquor may be sold by licensees holding a spirits, beer, and wine restaurant license; beer and/or wine restaurant license; and tavern license. Certain keg registration procedures must be followed. Grocery stores and beer and/or wine specialty shops are limited to selling liquor containers holding 5.5 gallons or less.

Other. The Washington Beer Commission was established in 2006. The Washington Beer Commission promotes Washington-produced beer, with oversight by the Washington State Department of Agriculture.

Retail licenses are issued for specific locations. Retail licensees may not sell or deliver beer or wine to another retail licensee. Restrictions on the sale and delivery of product also apply to manufacturers.

The law prohibiting manufacturers and distributors from providing things of value to retailers has been interpreted to require cash and prohibit the extension of credit to retailers. A Board rule considers checks, debit cards, credit cards, and electronic fund transfers to be cash under certain circumstances.

Summary of Bill:

Manufacturers. A domestic winery, in addition to a domestic brewery, that distributes its own product may maintain one warehouse off its premises for distribution with the approval of the Liquor Control Board (Board).

Domestic distillers and accredited representatives of distillers, importers, and distributors of spirits, in addition to wineries and breweries, may donate spirits to section 501(c)(3) and 501(c)(6) nonprofit charitable corporations and associations.

Domestic and out-of state wineries may perform pouring services for special occasion and private club licensees.

An out-of-state brewery or winery may appoint more than one authorized representative and may also hold a certificate of approval. Authorized representatives are limited to representatives of beer or wine produced in the United States.

Retailers. Holders of private club spirits, beer, and wine licenses and private club beer and wine licenses, in addition to holders of spirits, beer, and wine restaurant licenses, may sell any bottled wine for off-premise consumption, and are no longer limited to selling Washington wine carrying a label exclusive to the license holder.

Beer and/or wine specialty shop licensees may obtain an endorsement to sell beer in kegs or other containers capable of holding more than four gallons of liquid, subject to keg registration requirements.

Other. Up to 20 cases of wine may be transferred annually from one licensed location to another so long as both locations are under common ownership.

The termination date on the authority of the Washington Beer Commission to receive gifts and grants from public or private sources is removed.

Checks, credit or debit cards, prepaid accounts, electronic fund transfers, and other similar methods approved by the Board may be used as cash payment. Electronic fund transfers must be voluntary, conducted pursuant to a written agreement, initiated no later than the first business day following delivery, and completed as promptly as is reasonably practical, but no later than five business days following delivery.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The time has come to make these changes. These are basically technical, noncontroversial changes. The provisions on electronic fund transfers and transfer of product were part of the work of the Joint Select Committee on Beer and Wine Regulation but were put in this bill rather than EHB 2040 because they are noncontroversial. The provision allowing pouring on the premises of special occasion and private club licensees is in both bills. This bill reflects the omnibus process begun in 2007 to deal with liquor issues by putting multiple issues in one bill. The omnibus process frees up time and simplifies the process.

(Opposed) None.

Persons Testifying: Senator Kohl-Welles, prime sponsor; Senator Honeyford; Michael Transue, Washington Restaurant Association; Carrie Tellefsen, Distillery Representatives Association of Washington; Jean Leonard, Washington Wine Institute; Ron Main, Washington Beer and Wine Wholesalers Association; and Holly Chisa, Northwest Grocery Association.

Persons Signed In To Testify But Not Testifying: None.