

HOUSE BILL ANALYSIS

ESSB 6648

Brief Description: Permitting licensing retail alcoholic beverages in which no manufacturers, importers, or wholesalers have an interest.

Sponsors: Senators Schow, Newhouse, Horn and Heavy.

Hearing: February 23, 1998

BACKGROUND:

Under Washington's "tied-house" laws, certain financial "ties" or business relationships are prohibited between alcohol manufacturers and wholesalers (distributors) on the one hand and alcohol retailers on the other.

The purposes of the tied-house prohibitions are to prevent manufacturers and wholesalers from engaging in practices that induce retailers to sell certain alcohol products and exclude others and to inappropriately increase consumption.

Financial interest in a licensed retail liquor business or in property on which the business is conducted

One prohibition under tied-house law prevents liquor manufacturers, wholesalers or any person financially interested in the business from having a financial interest, either direct or indirect, in a licensed retail liquor business or in property on which the retail liquor business is located. One exception to this prohibition allows a corporation to have a financial interest in property on which a retail licensee does business and a financial interest in a manufacturer under the following conditions:

- The manufacturer has no direct stock interest and no interlocking officers with the corporation;
- the retail licensee is an independent concessionaire that is not owned directly or indirectly by the manufacturer or property owner;
- the sale of liquor is incidental to the primary activity of operating an amphitheater offering live music to the public;
- alcoholic beverages produced by the manufacturer are not sold at the licensed retail premises.

The board must monitor the ownership and method of operation to ensure no improper control or influence is exerted over the operations of the retail licensee.

Money or money's worth

Another prohibition under the tied-house law prevents a manufacturer from giving money, items of value or credit to a retailer. There are several exceptions to this rule.

SUMMARY OF BILL:

Additional exceptions are created to the state's tied-house law.

Financial interest in a licensed retail liquor business

A corporation that has an ownership interest in a licensed retail liquor business and has a financial interest in a manufacturer or importer does not violate tied-house prohibitions if:

- The corporation and the manufacturer or importer do not have any interlocking officers or directors;
- The manufacturer or importer does not have any direct stock ownership in the corporation or does not otherwise own the corporation;
- No alcoholic beverages produced by the manufacturer or its subsidiaries are sold at the retail licensee's premises;
- The sale of liquor is incidental to the operation of the property as a hotel.

The board must monitor the ownership and method of operation to ensure no improper control or influence is exerted over the operations of the retail licensee.

Financial interest in property on which a retail liquor licensee conducts business

The conditions of the tied-house exception are changed. Rather than the retail license being held by an independent concessionaire with no ownership interest held by a manufacturer or the property owner, the retail license may be held by a corporation with no ownership held by a manufacturer. The property on which liquor sales occur may be a hotel as well as an amphitheater offering live entertainment.

Money or money's worth

A corporation that meets the conditions for certain exemptions to the tied-house law may use debt instruments issued in connection with financing construction or operation of its facilities.

RULES AUTHORITY: The bill does not contain provisions addressing the rule making powers of an agency.

FISCAL NOTE: Not requested.

EFFECTIVE DATE: The bill takes effect July 1, 1998.