

CERTIFICATION OF ENROLLMENT

SUBSTITUTE SENATE BILL 5364

56th Legislature
1999 Regular Session

Passed by the Senate March 13, 1999
YEAS 47 NAYS 0

President of the Senate

Passed by the House April 24, 1999
YEAS 95 NAYS 0

**Speaker of the
House of Representatives**

**Speaker of the
House of Representatives**

Approved

Governor of the State of Washington

CERTIFICATE

I, Tony M. Cook, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5364** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 5364

Passed Legislature - 1999 Regular Session

State of Washington 56th Legislature 1999 Regular Session

By Senate Committee on Commerce, Trade, Housing & Financial Institutions (originally sponsored by Senators Prentice, Winsley and Shin; by request of Liquor Control Board)

Read first time 02/25/1999.

1 AN ACT Relating to the administration and designation of liquor
2 licenses; amending RCW 66.08.220, 66.12.110, 66.24.185, 66.24.580,
3 66.28.220, 66.40.030, 66.40.130, 66.44.190, 66.44.340, 66.44.350, and
4 68.50.107; reenacting and amending RCW 66.08.180, 66.24.450, and
5 66.24.290; and repealing RCW 66.24.300.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 66.08.180 and 1997 c 451 s 3 and 1997 c 321 s 57 are
8 each reenacted and amended to read as follows:

9 Except as provided in RCW 66.24.290(1), moneys in the liquor
10 revolving fund shall be distributed by the board at least once every
11 three months in accordance with RCW 66.08.190, 66.08.200 and 66.08.210:
12 PROVIDED, That the board shall reserve from distribution such amount
13 not exceeding five hundred thousand dollars as may be necessary for the
14 proper administration of this title.

15 (1) All license fees, penalties and forfeitures derived under this
16 act from (~~class H~~) spirits, beer, and wine restaurant; spirits, beer,
17 and wine private club; and sports entertainment facility licenses or
18 (~~class H~~) spirits, beer, and wine restaurant; spirits, beer, and wine

1 private club; and sports entertainment facility licensees shall every
2 three months be disbursed by the board as follows:

3 (a) Three hundred thousand dollars per biennium, to the University
4 of Washington for the forensic investigations council to conduct the
5 state toxicological laboratory pursuant to RCW 68.50.107; and

6 (b) Of the remaining funds:

7 (i) 6.06 percent to the University of Washington and 4.04 percent
8 to Washington State University for alcoholism and drug abuse research
9 and for the dissemination of such research; and

10 (ii) 89.9 percent to the general fund to be used by the department
11 of social and health services solely to carry out the purposes of RCW
12 70.96A.050;

13 (2) The first fifty-five dollars per license fee provided in RCW
14 66.24.320 and 66.24.330 up to a maximum of one hundred fifty thousand
15 dollars annually shall be disbursed every three months by the board to
16 the general fund to be used for juvenile alcohol and drug prevention
17 programs for kindergarten through third grade to be administered by the
18 superintendent of public instruction;

19 (3) Twenty percent of the remaining total amount derived from
20 license fees pursuant to RCW 66.24.320, 66.24.330, 66.24.350, and
21 66.24.360, shall be transferred to the general fund to be used by the
22 department of social and health services solely to carry out the
23 purposes of RCW 70.96A.050; and

24 (4) One-fourth cent per liter of the tax imposed by RCW 66.24.210
25 shall every three months be disbursed by the board to Washington State
26 University solely for wine and wine grape research, extension programs
27 related to wine and wine grape research, and resident instruction in
28 both wine grape production and the processing aspects of the wine
29 industry in accordance with RCW 28B.30.068. The director of financial
30 management shall prescribe suitable accounting procedures to ensure
31 that the funds transferred to the general fund to be used by the
32 department of social and health services and appropriated are
33 separately accounted for.

34 **Sec. 2.** RCW 66.08.220 and 1949 c 5 s 11 are each amended to read
35 as follows:

36 The board shall set aside in a separate account in the liquor
37 revolving fund an amount equal to ten percent of its gross sales of
38 liquor to (~~class H~~) spirits, beer, and wine restaurant; spirits,

1 beer, and wine private club; and sports entertainment facility
2 licensees collected from these licensees pursuant to the provisions of
3 RCW 82.08.150, less the fifteen percent discount provided for in RCW
4 66.24.440; and the moneys in said separate account shall be distributed
5 in accordance with the provisions of RCW 66.08.190, 66.08.200 and
6 66.08.210: PROVIDED, HOWEVER, That no election unit in which the sale
7 of liquor under ((class-H)) spirits, beer, and wine restaurant;
8 spirits, beer, and wine private club; and sports entertainment facility
9 licenses is unlawful shall be entitled to share in the distribution of
10 moneys from such separate account.

11 **Sec. 3.** RCW 66.12.110 and 1975-'76 2nd ex.s. c 20 s 1 are each
12 amended to read as follows:

13 A person twenty-one years of age or over may bring into the state
14 from without the United States, free of tax and markup, for his
15 personal or household use such alcoholic beverages as have been
16 declared and permitted to enter the United States duty free under
17 federal law.

18 Such entry of alcoholic beverages in excess of that herein provided
19 may be authorized by the board upon payment of an equivalent markup and
20 tax as would be applicable to the purchase of the same or similar
21 liquor at retail from a Washington state liquor store. The board shall
22 adopt appropriate regulations pursuant to chapter 34.05 RCW for the
23 purpose of carrying out the provisions of this section. The board may
24 issue a ((class-H)) spirits, beer, and wine private club license to a
25 charitable or nonprofit corporation of the state of Washington, the
26 majority of the officers and directors of which are United States
27 citizens and the minority of the officers and directors of which are
28 citizens of the Dominion of Canada, and where the location of the
29 premises for such ((class-H)) spirits, beer, and wine private club
30 license is not more than ten miles south of the border between the
31 United States and the province of British Columbia.

32 **Sec. 4.** RCW 66.24.185 and 1997 c 321 s 4 are each amended to read
33 as follows:

34 (1) There shall be a license for bonded wine warehouses which shall
35 authorize the storage of bottled wine only. Under this license a
36 licensee may maintain a warehouse for the storage of wine off the
37 premises of a winery.

1 (2) The board shall adopt similar qualifications for a bonded wine
2 warehouse license as required for obtaining a domestic winery license
3 as specified in RCW 66.24.010 and 66.24.170. A licensee must be a sole
4 proprietor, a partnership, a limited liability company, or a
5 corporation. One or more domestic wineries may operate as a
6 partnership, corporation, business co-op, or agricultural co-op for the
7 purposes of obtaining a bonded wine warehouse license.

8 (3) All bottled wine shipped to a bonded wine warehouse from a
9 winery or another bonded wine warehouse shall remain under bond and no
10 tax imposed under RCW 66.24.210 shall be due, unless the wine is
11 removed from bond and shipped to a licensed Washington wine
12 distributor. Wine may be removed from a bonded wine warehouse only for
13 the purpose of being (a) exported from the state, (b) shipped to a
14 licensed Washington wine distributor, or (c) returned to a winery or
15 bonded wine warehouse.

16 (4) Warehousing of wine by any person other than (a) a licensed
17 domestic winery or a bonded wine warehouse licensed under the
18 provisions of this section, (b) a licensed Washington wine distributor,
19 (c) a licensed Washington wine importer, (d) a wine certificate of
20 approval holder (W7), or (e) the liquor control board, is prohibited.

21 (5) A license applicant shall hold a federal permit for a bonded
22 wine cellar and may be required to post a continuing wine tax bond ((in
23 the amount of five thousand dollars in a form prescribed)) of such an
24 amount and in such a form as may be required by the board prior to the
25 issuance of a bonded wine warehouse license. The fee for this license
26 shall be one hundred dollars per annum.

27 (6) The board shall adopt rules requiring a bonded wine warehouse
28 to be physically secure, zoned for the intended use and physically
29 separated from any other use.

30 (7) Every licensee shall submit to the board a monthly report of
31 movement of bottled wines to and from a bonded wine warehouse in a form
32 prescribed by the board. The board may adopt other necessary
33 procedures by which bonded wine warehouses are licensed and regulated.

34 **Sec. 5.** RCW 66.24.450 and 1998 c 126 s 9 and 1998 c 114 s 1 are
35 each reenacted and amended to read as follows:

36 (1) No club shall be entitled to a spirits, beer, and wine private
37 club license:

1 (a) Unless such private club has been in continuous operation for
2 at least one year immediately prior to the date of its application for
3 such license;

4 (b) Unless the private club premises be constructed and equipped,
5 conducted, managed, and operated to the satisfaction of the board and
6 in accordance with this title and the regulations made thereunder;

7 (c) Unless the board shall have determined pursuant to any
8 regulations made by it with respect to private clubs, that such private
9 club is a bona fide private club; it being the intent of this section
10 that license shall not be granted to a club which is, or has been,
11 primarily formed or activated to obtain a license to sell liquor, but
12 solely to a bona fide private club, where the sale of liquor is
13 incidental to the main purposes of the spirits, beer, and wine private
14 club, as defined in RCW 66.04.010(7).

15 (2) The annual fee for a spirits, beer, and wine private club
16 license, whether inside or outside of an incorporated city or town, is
17 seven hundred twenty dollars per year.

18 (3) The board may issue an endorsement to the ((~~full-service~~))
19 spirits, beer, and wine private club license that allows up to forty
20 nonclub, member-sponsored events using club liquor. Visitors and
21 guests may attend these events only by invitation of the sponsoring
22 member or members. These events may not be open to the general public.
23 The fee for the endorsement shall be an annual fee of nine hundred
24 dollars. Upon the board's request, the holder of the endorsement must
25 provide the board or the board's designee with the following
26 information at least seventy-two hours prior to the event: The date,
27 time, and location of the event; the name of the sponsor of the event;
28 and a brief description of the purpose of the event.

29 **Sec. 6.** RCW 66.24.580 and 1996 c 224 s 2 are each amended to read
30 as follows:

31 (1) A public house license allows the licensee:

32 (a) To annually manufacture no less than two hundred fifty gallons
33 and no more than two thousand four hundred barrels of beer on the
34 licensed premises;

35 (b) To sell product, that is produced on the licensed premises, at
36 retail on the licensed premises for consumption on the licensed
37 premises;

1 (c) To sell beer or wine not of its own manufacture for consumption
2 on the licensed premises if the beer or wine has been purchased from a
3 licensed beer or wine wholesaler;

4 (d) To hold other classes of retail licenses at other locations
5 without being considered in violation of RCW 66.28.010;

6 (e) To apply for and, if qualified and upon the payment of the
7 appropriate fee, be licensed as a (~~class H~~) spirits, beer, and wine
8 restaurant to do business at the same location. This fee is in
9 addition to the fee charged for the basic public house license.

10 (2) While the holder of a public house license is not to be
11 considered in violation of the prohibitions of ownership or interest in
12 a retail license in RCW 66.28.010, the remainder of RCW 66.28.010
13 applies to such licensees.

14 (3) A public house licensee must pay all applicable taxes on
15 production as are required by law, and all appropriate taxes must be
16 paid for any product sold at retail on the licensed premises.

17 (4) The employees of the licensee must comply with the provisions
18 of mandatory server training in RCW 66.20.300 through 66.20.350.

19 (5) The holder of a public house license may not hold a
20 wholesaler's or importer's license, act as the agent of another
21 manufacturer, wholesaler, or importer, or hold a brewery or winery
22 license.

23 (6) The annual license fee for a public house is one thousand
24 dollars.

25 (7) The holder of a public house license may hold other licenses at
26 other locations if the locations are approved by the board.

27 (8) Existing holders of annual retail liquor licenses may apply for
28 and, if qualified, be granted a public house license at one or more of
29 their existing liquor licensed locations without discontinuing business
30 during the application or construction stages.

31 **Sec. 7.** RCW 66.28.220 and 1993 c 21 s 3 are each amended to read
32 as follows:

33 The board shall adopt rules requiring retail licensees to affix
34 appropriate identification on all containers of four gallons or more of
35 malt liquor for the purpose of tracing the purchasers of such
36 containers. The rules may provide for identification to be done on a
37 state-wide basis or on the basis of smaller geographical areas.

1 The board shall develop and make available forms for the
2 declaration and receipt required by RCW 66.28.200. The board may
3 charge ((~~class E~~)) grocery store licensees for the costs of providing
4 the forms and that money collected for the forms shall be deposited
5 into the liquor revolving fund for use by the board, without further
6 appropriation, to continue to administer the cost of the keg
7 registration program.

8 It is unlawful for any person to sell or offer for sale kegs or
9 other containers containing four gallons or more of malt liquor to
10 consumers who are not licensed under chapter 66.24 RCW if the kegs or
11 containers are not identified in compliance with rules adopted by the
12 board.

13 **Sec. 8.** RCW 66.40.030 and 1994 c 55 s 1 are each amended to read
14 as follows:

15 Within any unit referred to in RCW 66.40.010, there may be held a
16 separate election upon the question of whether the sale of liquor under
17 ((~~class H~~)) spirits, beer, and wine restaurant; spirits, beer, and wine
18 private club; and sports entertainment facility licenses, shall be
19 permitted within such unit. The conditions and procedure for holding
20 such election shall be those prescribed by RCW 66.40.020, 66.40.040,
21 66.40.100, 66.40.110 and 66.40.120. Whenever a majority of qualified
22 voters voting upon said question in any such unit shall have voted
23 "against the sale of liquor under ((~~class H~~)) spirits, beer, and wine
24 restaurant; spirits, beer, and wine private club; and sports
25 entertainment facility licenses", the county auditor shall file with
26 the liquor control board a certificate showing the result of the
27 canvass at such election; and after ninety days from and after the date
28 of the canvass, it shall not be lawful for licensees to maintain and
29 operate premises within the election unit licensed under ((~~class H~~))
30 spirits, beer, and wine restaurant; spirits, beer, and wine private
31 club; and sports entertainment facility licenses. The addition after
32 an election under this section of new territory to a city, town, or
33 county, by annexation, disincorporation, or otherwise, shall not extend
34 the prohibition against the sale of liquor under ((~~class H~~)) spirits,
35 beer, and wine restaurant; spirits, beer, and wine private club; and
36 sports entertainment facility licenses to the new territory. Elections
37 held under RCW 66.40.010, 66.40.020, 66.40.040, 66.40.100, 66.40.110,
38 66.40.120 and 66.40.140, shall be limited to the question of whether

1 the sale of liquor by means other than under (~~class H~~) spirits, beer,
2 and wine restaurant; spirits, beer, and wine private club; and sports
3 entertainment facility licenses shall be permitted within such election
4 unit.

5 **Sec. 9.** RCW 66.40.130 and 1949 c 5 s 13 are each amended to read
6 as follows:

7 Ninety days after December 2, 1948, (~~class H~~) spirits, beer, and
8 wine restaurant; spirits, beer, and wine private club; and sports
9 entertainment facility licenses may be issued in any election unit in
10 which the sale of liquor is then lawful. No (~~class H~~) spirits, beer,
11 and wine restaurant; spirits, beer, and wine private club; and sports
12 entertainment facility license shall be issued in any election unit in
13 which the sale of liquor is forbidden as the result of an election held
14 under RCW 66.40.010, 66.40.020, 66.40.040, 66.40.100, 66.40.110,
15 66.40.120 and 66.40.140, unless a majority of the qualified electors in
16 such election unit voting upon this initiative at the general election
17 in November, 1948, vote in favor of this initiative, or unless at a
18 subsequent general election in which the question of whether the sale
19 of liquor under (~~class H~~) spirits, beer, and wine restaurant;
20 spirits, beer, and wine private club; and sports entertainment facility
21 licenses shall be permitted within such unit is submitted to the
22 electorate, as provided in RCW 66.40.030, a majority of the qualified
23 electors voting upon such question vote "for the sale of liquor under
24 (~~class H~~) spirits, beer, and wine restaurant; spirits, beer, and wine
25 private club; and sports entertainment facility licenses."

26 **Sec. 10.** RCW 66.44.190 and 1997 c 321 s 62 are each amended to
27 read as follows:

28 Except at the faculty center as so designated by the university
29 board of regents to the Washington state liquor control board who may
30 issue a (~~class H~~) spirits, beer, and wine private club license
31 therefor, it shall be unlawful to sell any intoxicating liquors, with
32 or without a license on the grounds of the University of Washington,
33 otherwise known and described as follows: Fractional section 16,
34 township 25 north, range 4 east of Willamette Meridian except to the
35 extent allowed under banquet permits issued pursuant to RCW 66.24.481.

1 **Sec. 11.** RCW 66.44.340 and 1986 c 5 s 1 are each amended to read
2 as follows:

3 Employers holding (~~(class E and/or F)~~) grocery store or beer and/or
4 wine specialty shop licenses exclusively are permitted to allow their
5 employees, between the ages of eighteen and twenty-one years, to sell,
6 stock, and handle beer or wine in, on or about any establishment
7 holding a (~~(class E and/or class F)~~) grocery store or beer and/or wine
8 specialty shop license exclusively: PROVIDED, That there is an adult
9 twenty-one years of age or older on duty supervising the sale of liquor
10 at the licensed premises: PROVIDED, That minor employees may make
11 deliveries of beer and/or wine purchased from licensees holding (~~(class~~
12 ~~E and/or class F)~~) grocery store or beer and/or wine specialty shop
13 licenses exclusively, when delivery is made to cars of customers
14 adjacent to such licensed premises but only, however, when the minor
15 employee is accompanied by the purchaser.

16 **Sec. 12.** RCW 66.44.350 and 1988 c 160 s 1 are each amended to read
17 as follows:

18 Notwithstanding provisions of RCW 66.44.310, employees (~~(of class~~
19 ~~A, C, D and/or H)~~) holding beer and/or wine restaurant; beer and/or
20 wine private club; snack bar; spirits, beer, and wine restaurant;
21 spirits, beer, and wine private club; and sports entertainment facility
22 licenses who are licensees eighteen years of age and over may take
23 orders for, serve and sell liquor in any part of the licensed premises
24 except cocktail lounges, bars, or other areas classified by the
25 Washington state liquor control board as off-limits to persons under
26 twenty-one years of age: PROVIDED, That such employees may enter such
27 restricted areas to perform work assignments including picking up
28 liquor for service in other parts of the licensed premises, performing
29 clean up work, setting up and arranging tables, delivering supplies,
30 delivering messages, serving food, and seating patrons: PROVIDED
31 FURTHER, That such employees shall remain in the areas off-limits to
32 minors no longer than is necessary to carry out their aforementioned
33 duties: PROVIDED FURTHER, That such employees shall not be permitted
34 to perform activities or functions of a bartender.

35 **Sec. 13.** RCW 68.50.107 and 1995 c 398 s 10 are each amended to
36 read as follows:

1 There shall be established in conjunction with the University of
2 Washington Medical School and under the authority of the state forensic
3 investigations council a state toxicological laboratory under the
4 direction of the state toxicologist whose duty it will be to perform
5 all necessary toxicologic procedures requested by all coroners, medical
6 examiners, and prosecuting attorneys. The state forensic
7 investigations council shall appoint a toxicologist as state
8 toxicologist. The laboratory shall be funded by disbursement from the
9 ~~((class H))~~ spirits, beer, and wine restaurant; spirits, beer, and wine
10 private club; and sports entertainment facility license fees as
11 provided in RCW 66.08.180 and by appropriation from the death
12 investigations account as provided in RCW 43.79.445.

13 **Sec. 14.** RCW 66.24.290 and 1997 c 451 s 1 and 1997 c 321 s 16 are
14 each reenacted and amended to read as follows:

15 (1) Any microbrewer or domestic brewery or beer distributor
16 licensed under this title may sell and deliver beer to holders of
17 authorized licenses direct, but to no other person, other than the
18 board; and every such brewery or beer distributor shall report all
19 sales to the board monthly, pursuant to the regulations, and shall pay
20 to the board as an added tax for the privilege of manufacturing and
21 selling the beer within the state a tax of one dollar and thirty cents
22 per barrel of thirty-one gallons on sales to licensees within the state
23 and on sales to licensees within the state of bottled and canned beer
24 shall pay a tax computed in gallons at the rate of one dollar and
25 thirty cents per barrel of thirty-one gallons. Any brewery or beer
26 distributor whose applicable tax payment is not postmarked by the
27 twentieth day following the month of sale will be assessed a penalty at
28 the rate of two percent per month or fraction thereof. Beer shall be
29 sold by breweries and distributors in sealed barrels or packages. The
30 moneys collected under this subsection shall be distributed as follows:
31 (a) Three-tenths of a percent shall be distributed to border areas
32 under RCW 66.08.195; and (b) of the remaining moneys: (i) Twenty
33 percent shall be distributed to counties in the same manner as under
34 RCW 66.08.200; and (ii) eighty percent shall be distributed to
35 incorporated cities and towns in the same manner as under RCW
36 66.08.210.

37 (2) An additional tax is imposed on all beer subject to tax under
38 subsection (1) of this section. The additional tax is equal to two

1 dollars per barrel of thirty-one gallons. All revenues collected
2 during any month from this additional tax shall be deposited in the
3 violence reduction and drug enforcement account under RCW 69.50.520 by
4 the twenty-fifth day of the following month.

5 (3)(a) An additional tax is imposed on all beer subject to tax
6 under subsection (1) of this section. The additional tax is equal to
7 ninety-six cents per barrel of thirty-one gallons through June 30,
8 1995, two dollars and thirty-nine cents per barrel of thirty-one
9 gallons for the period July 1, 1995, through June 30, 1997, and four
10 dollars and seventy-eight cents per barrel of thirty-one gallons
11 thereafter.

12 (b) The additional tax imposed under this subsection does not apply
13 to the sale of the first sixty thousand barrels of beer each year by
14 breweries that are entitled to a reduced rate of tax under 26 U.S.C.
15 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may
16 be provided by the board by rule consistent with the purposes of this
17 exemption.

18 (c) All revenues collected from the additional tax imposed under
19 this subsection (3) shall be deposited in the health services account
20 under RCW 43.72.900.

21 (4) An additional tax is imposed on all beer that is subject to tax
22 under subsection (1) of this section that is in the first sixty
23 thousand barrels of beer by breweries that are entitled to a reduced
24 rate of tax under 26 U.S.C. Sec. 5051, as existing on July 1, 1993, or
25 such subsequent date as may be provided by the board by rule consistent
26 with the purposes of the exemption under subsection (3)(b) of this
27 section. The additional tax is equal to one dollar and forty-eight and
28 two-tenths cents per barrel of thirty-one gallons. By the twenty-fifth
29 day of the following month, three percent of the revenues collected
30 from this additional tax shall be distributed to border areas under RCW
31 66.08.195 and the remaining moneys shall be transferred to the state
32 general fund.

33 (5) The board may make refunds for all taxes paid on beer exported
34 from the state for use outside the state.

35 (6) The board may require filing with the board of a bond to be
36 approved by it, in such amount as the board may fix, securing the
37 payment of the tax. If any licensee fails to pay the tax when due, the
38 board may forthwith suspend or cancel his or her license until all
39 taxes are paid.

1 (7) The tax imposed under this section shall not apply to "strong
2 beer" as defined in this title.

3 NEW SECTION. **Sec. 15.** RCW 66.24.300 (Refunds for taxes paid on
4 exported beer--Bond securing tax payment) and 1995 c 232 s 5, 1951 c 93
5 s 1, & 1937 c 217 s 2 are each repealed.

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