

# HOUSE BILL REPORT

## HB 3128

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**As Reported by House Committee On:**  
Commerce & Labor

**Title:** An act relating to the relationship between liquor manufacturers, importers, or distributors and nonprofit organizations holding a liquor license.

**Brief Description:** Regulating the sale of wine by a society or organization.

**Sponsors:** Representatives Kenney, Hankins, Conway, Chandler, Wood, Condotta, Newhouse and Springer.

**Brief History:**

**Committee Activity:**

Commerce & Labor: 1/30/06, 2/1/06 [DPS].

### Brief Summary of Substitute Bill

- Allows a not-for-profit formed for the purpose of constructing and operating a facility to promote Washington wines to hold retail licenses on the facility property or lease all or any portion of such facility property to a retail licensee on the facility property.
- Allows a bona fide charitable nonprofit society or association that has an officer, director, owner, or employee of a licensed domestic winery or a wine certificate of approval holder on its board of directors to hold a special occasion license to serve alcohol at a particular event.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Holmquist, Hudgins, Kenney and McCoy.

**Staff:** Sarah Dylag (786-7109).

**Background:**

Tied-House Law

Under Washington's "tied-house" law, certain financial "ties" or business relationships are prohibited between alcohol manufacturers, importers, or distributors on the one hand and

alcohol retailers on the other. Generally, a manufacturer or wholesaler or person interested in such business may not have a financial interest in a licensed retail business. Retailers may not conduct their business on property owned by a manufacturer or wholesaler. The tied-house law also prevents an alcohol manufacturer or wholesaler from giving money, items of value or credit to a retailer.

There are some exceptions to this law. A licensed brewery, microbrewery, or winery may be licensed as a retailer. A distiller, brewery, microbrewery, or winery may also be licensed as a spirits, beer, and wine restaurant.

#### Special Occasion Licenses

A not-for-profit group organized and operated solely for charitable, religious, social, political, educational, civic, fraternal, athletic, or benevolent purposes may obtain a retail alcohol license called a special occasion license. The special occasion license allows the not-for-profit group to sell spirits, beer, and wine for on-premises consumption at a specified event, such as at picnics or other special occasions, at a specific date and place. Special occasion licensees are limited to sales of no more than 12 days per calendar year.

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#### **Summary of Substitute Bill:**

Two specific exemptions to the tied-house law are created.

A not-for-profit group formed for the purpose of constructing and operating a facility to promote Washington wines may hold retail licenses on the facility property or lease all or any portion of such facility property to a retail licensee even when the members of the board of directors or officers for the not-for-profit organization include officers, directors, owners, or employees of a licensed domestic winery. Financing for the construction of the facility must include both public and private money.

A bona fide charitable nonprofit society or association registered under the Internal Revenue Code that has on its board of directors an officer, director, owner, or employee of a licensed domestic winery or a wine certificate of approval holder may hold a special occasion license to serve alcohol at a particular event.

#### **Substitute Bill Compared to Original Bill:**

The substitute bill removes the complete exemption to the tied-house law for not-for-profits and narrows the language regarding specific exemptions.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill creates an exemption from the tied-house law allowing people involved in the liquor industry to serve on not-for-profit boards even when the not-for-profit is an organization involved in promoting Washington wines or an organization that serves wine. People involved with wineries want to serve on the boards of not-for-profit organization. This is a good bill. The tied-house law is an old law that needs to be looked at.

The language in this bill could be narrowed and the Liquor Control Board (Board) is working with proponents to find narrower language. There have been exceptions to the tied-house law created over time, and it is best to keep them narrowly drafted.

**Testimony Against:** This bill is conceptually okay, but any legislation should wait until the Board completes their comprehensive review of the tied-house law this interim. If the bill does move ahead this session, it must be made more narrow.

Alcohol is a dangerous drug causing harm to communities. More focus should be on reducing use instead of creating exemptions from the tied-house law.

**Persons Testifying:** (In support) Jean Leonard, Washington Wine Institute; and Chris Newbry, Washington Wine Growers Association.

(Opposed) Phil Wayt, Washington Beer & Wine Wholesalers; and Yoshe Revelle.

**Persons Signed In To Testify But Not Testifying:** None.