

# SENATE BILL REPORT

## SSB 6770

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As Passed Senate, February 18, 2008

**Title:** An act relating to alcoholic beverage regulation.

**Brief Description:** Regarding alcoholic beverage regulation.

**Sponsors:** Senate Committee on Labor, Commerce, Research & Development (originally sponsored by Senators Kohl-Welles, Holmquist, McAuliffe, Hewitt and Delvin).

**Brief History:**

**Committee Activity:** Labor, Commerce, Research & Development: 1/24/08, 2/05/08 [DPS].  
Passed Senate: 2/18/08, 47-0.

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### SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 6770 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Holmquist, Ranking Minority Member; Franklin, Hewitt, King, Murray and Prentice.

**Staff:** Mac Nicholson (786-7445)

**Background:** Wineries, breweries, and individuals seeking to sell liquor must get the appropriate license from the Liquor Control Board (LCB). LCB licensees are subject to differing statutes and regulations, depending on the type of license acquired.

A bonded wine warehouse license authorizes the storage of bottled wine off the premises of a winery. Wine shipped to a bonded wine warehouse remains under bond and no tax is due until the wine is removed from bond and shipped to a licensed wine distributor. Wine can be removed from a bonded wine warehouse only for specified purposes.

A domestic winery may maintain up to two locations separate from production or manufacturing sites where the winery can sample and sell its own products for off premise consumption.

Domestic wineries and breweries are authorized to donate beer and wine to corporations or associations exempt from taxation under section 501(c)(3) of the Internal Revenue Code. Section 501(c)(3) exempt corporations are commonly referred to as charitable organizations and are subject to a number of federal regulations. Section 501(c)(6) exempts from taxation qualified trade associations, chambers of commerce, real estate boards, boards of trade, and professional football leagues.

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*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.*

A domestic brewery or microbrewery that holds a license for a spirits, beer, and wine restaurant or a beer and/or wine restaurant on the brewery premises may hold a second license for a spirits, beer, and wine restaurant or a beer and/or wine restaurant off the brewery premises.

The holder of a spirits, beer, and wine restaurant license may apply for an endorsement allowing the license holder to sell wine for off-premise consumption, provided the wine is from Washington and has a label exclusive to the license holder.

The holder of a hotel license may sell spirits, beer, and wine, by the individual glass, at dining places in the hotel for on premise consumption.

**Summary of Substitute Bill:** Handling of bottled wine is permitted in a bonded wine warehouse. Handling includes packaging and repackaging services, labeling services, creation of baskets or variety packs that may include non-wine products, and picking, packing, and shipping wine orders direct to consumers. A winery contracting with a bonded wine warehouse for handling services must comply with all applicable state and federal law, and is responsible for financial transactions in direct to consumer shipping activities. Wine may be shipped from a bonded wine warehouse to a consumer pursuant to a direct sale from the winery to the consumer.

Wineries operating additional locations to sample and sell their own products are no longer limited to selling for off premise consumption. Rather, wineries operating additional locations may now sell their own product at retail for on premise or off premise consumption. A person serving wine at an additional location must get an alcohol servers permit, and the mandatory alcohol server training statutes are amended to reflect the requirement. If multiple wineries operate at an additional location, and the LCB cannot connect an over-service or under age violation to a single licensee, the LCB may hold all licensees jointly liable.

Domestic wineries and breweries are authorized to donate beer and wine to corporations or associations exempt from taxation under section 501(c)(6) of the Internal Revenue Code.

A domestic brewery or microbrewery may hold up to two licenses for on premise or off premise retail facilities. Taverns are included as facilities for which a domestic brewery or microbrewery may seek a retail license to operate on or off premise.

Starting June 30, 2008, a microbrewery may contract produce beer for another microbrewer. Contract-production is not a sale for price posting purposes.

The holder of a spirits, beer, and wine restaurant license with an endorsement to sell wine is no longer limited to selling Washington wine that carries a label exclusive to the license holder. Rather, the holder may sell any bottled wine for off-premise consumption.

The requirement that the holder of a hotel license sell spirits, beer, and wine for on premise consumption at dining places in the hotel is removed. Hotels may sell liquor to occupants of private residential units which are part of the buildings or complex of buildings that include the hotel.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains several effective dates. Please refer to the bill.

**Staff Summary of Public Testimony on Original Bill:** PRO: This is an omnibus bill worked on by a number of groups that makes a number of small changes to the state liquor laws. The different parts of the bill aren't controversial. Fulfillment services are important to wineries as is the extension of privileges at additional tasting locations. Additional tasting rooms are important, and the two location limit should be eliminated, or increased to six. Allowing microbrewery contract brewing will help the microbrewers keep business in the state, rather than going to Oregon for contract brewing.

OTHER: The LCB would have regulation and compliance concerns if the limit on additional tasting rooms is increased or eliminated.

**Persons Testifying:** PRO: Michael Transue, Washington Restaurant Association; Jean Leonard, Washington Wine Institute; Arlen Harris, Washington Brewers Guild; Charlie Sullivan, Skagit River Brewery; Paul Beveridge, Family Wineries of Washington State; Ron Main, Washington Beer and Wine Wholesalers.

OTHER: Rick Garza, Liquor Control Board.