
HOUSE BILL 2242

State of Washington 60th Legislature 2007 Regular Session

By Representatives Kenney, Condotta, Ericks, Walsh, Grant and McDermott

Read first time 02/14/2007. Referred to Committee on Commerce & Labor.

1 AN ACT Relating to special occasion licenses for alcoholic beverage
2 control purposes; amending RCW 66.24.375; and reenacting and amending
3 RCW 66.28.010.

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

5 **Sec. 1.** RCW 66.24.375 and 1997 c 321 s 61 are each amended to read
6 as follows:

7 "Society or organization" as used in RCW 66.24.380 means a not-for-
8 profit group organized and operated (1) solely for charitable,
9 religious, social, political, educational, civic, fraternal, athletic,
10 or benevolent purposes, or (2) as a local wine industry association
11 registered under section 501(c)(6) of the internal revenue code. No
12 portion of the profits from events sponsored by a not-for-profit group
13 may be paid directly or indirectly to members, officers, directors, or
14 trustees except for services performed for the organization. Any
15 compensation paid to its officers and executives must be only for
16 actual services and at levels comparable to the compensation for like
17 positions within the state. A society or organization which is
18 registered with the secretary of state or the federal internal revenue

1 service as a nonprofit organization ((may)) shall submit such
2 registration, upon request, as proof that it is a not-for-profit group.

3 **Sec. 2.** RCW 66.28.010 and 2006 c 330 s 28, 2006 c 92 s 1, and 2006
4 c 43 s 1 are each reenacted and amended to read as follows:

5 (1)(a) No manufacturer, importer, distributor, or authorized
6 representative, or person financially interested, directly or
7 indirectly, in such business; whether resident or nonresident, shall
8 have any financial interest, direct or indirect, in any licensed retail
9 business, unless the retail business is owned by a corporation in which
10 a manufacturer or importer has no direct stock ownership and there are
11 no interlocking officers and directors, the retail license is held by
12 a corporation that is not owned directly or indirectly by a
13 manufacturer or importer, the sales of liquor are incidental to the
14 primary activity of operating the property as a hotel, alcoholic
15 beverages produced by the manufacturer or importer or their
16 subsidiaries are not sold at the licensed premises, and the board
17 reviews the ownership and proposed method of operation of all involved
18 entities and determines that there will not be an unacceptable level of
19 control or undue influence over the operation or the retail licensee;
20 nor shall any manufacturer, importer, distributor, or authorized
21 representative own any of the property upon which such licensed persons
22 conduct their business; nor shall any such licensed person, under any
23 arrangement whatsoever, conduct his or her business upon property in
24 which any manufacturer, importer, distributor, or authorized
25 representative has any interest unless title to that property is owned
26 by a corporation in which a manufacturer has no direct stock ownership
27 and there are no interlocking officers or directors, the retail license
28 is held by a corporation that is not owned directly or indirectly by
29 the manufacturer, the sales of liquor are incidental to the primary
30 activity of operating the property either as a hotel or as an
31 amphitheater offering live musical and similar live entertainment
32 activities to the public, alcoholic beverages produced by the
33 manufacturer or any of its subsidiaries are not sold at the licensed
34 premises, and the board reviews the ownership and proposed method of
35 operation of all involved entities and determines that there will not
36 be an unacceptable level of control or undue influence over the
37 operation of the retail licensee. Except as provided in subsection (3)

1 of this section, no manufacturer, importer, distributor, or authorized
2 representative shall advance moneys or moneys' worth to a licensed
3 person under an arrangement, nor shall such licensed person receive,
4 under an arrangement, an advance of moneys or moneys' worth. "Person"
5 as used in this section only shall not include those state or federally
6 chartered banks, state or federally chartered savings and loan
7 associations, state or federally chartered mutual savings banks, or
8 institutional investors which are not controlled directly or indirectly
9 by a manufacturer, importer, distributor, or authorized representative
10 as long as the bank, savings and loan association, or institutional
11 investor does not influence or attempt to influence the purchasing
12 practices of the retailer with respect to alcoholic beverages. Except
13 as otherwise provided in this section, no manufacturer, importer,
14 distributor, or authorized representative shall be eligible to receive
15 or hold a retail license under this title, nor shall such manufacturer,
16 importer, distributor, or authorized representative sell at retail any
17 liquor as herein defined. A corporation granted an exemption under
18 this subsection may use debt instruments issued in connection with
19 financing construction or operations of its facilities.

20 (b) Nothing in this section shall prohibit a licensed domestic
21 brewery or microbrewery from being licensed as a retailer pursuant to
22 chapter 66.24 RCW for the purpose of selling beer or wine at retail on
23 the brewery premises and nothing in this section shall prohibit a
24 domestic winery from being licensed as a retailer pursuant to chapter
25 66.24 RCW for the purpose of selling beer or wine at retail on the
26 winery premises. Such beer and wine so sold at retail shall be subject
27 to the taxes imposed by RCW 66.24.290 and 66.24.210 and to reporting
28 and bonding requirements as prescribed by regulations adopted by the
29 board pursuant to chapter 34.05 RCW, and beer and wine that is not
30 produced by the brewery or winery shall be purchased from a licensed
31 beer or wine distributor.

32 (c) Nothing in this section shall prohibit a licensed distiller,
33 domestic brewery, microbrewery, domestic winery, or a lessee of a
34 licensed domestic brewer, microbrewery, or domestic winery, from being
35 licensed as a spirits, beer, and wine restaurant pursuant to chapter
36 66.24 RCW for the purpose of selling liquor at a spirits, beer, and
37 wine restaurant premises on the property on which the primary
38 manufacturing facility of the licensed distiller, domestic brewer,

1 microbrewery, or domestic winery is located or on contiguous property
2 owned or leased by the licensed distiller, domestic brewer,
3 microbrewery, or domestic winery as prescribed by rules adopted by the
4 board pursuant to chapter 34.05 RCW.

5 (d) Nothing in this section prohibits retail licensees with a
6 caterer's endorsement issued under RCW 66.24.320 or 66.24.420 from
7 operating on a domestic winery premises.

8 (e) Nothing in this section prohibits an organization qualifying
9 under RCW 66.24.375 formed for the purpose of constructing and
10 operating a facility to promote Washington wines from holding retail
11 licenses on the facility property or leasing all or any portion of such
12 facility property to a retail licensee on the facility property if the
13 members of the board of directors or officers of the board for the
14 organization include officers, directors, owners, or employees of a
15 licensed domestic winery. Financing for the construction of the
16 facility must include both public and private money.

17 (f) Nothing in this section prohibits a bona fide charitable
18 nonprofit society or association registered (~~as a~~) under section
19 501(c)(3) ((under)) of the internal revenue code, or a local wine
20 industry association registered under section 501(c)(6) of the internal
21 revenue code, and having an officer, director, owner, or employee of a
22 licensed domestic winery or a wine certificate of approval holder on
23 its board of directors from holding a special occasion license under
24 RCW 66.24.380.

25 (g) Nothing in this section prohibits domestic wineries and
26 retailers licensed under chapter 66.24 RCW from jointly producing
27 brochures and materials promoting tourism in Washington state which
28 contain information regarding retail licensees, domestic wineries, and
29 their products.

30 (h) Nothing in this section prohibits domestic wineries and retail
31 licensees from identifying the wineries on private labels authorized
32 under RCW 66.24.400, 66.24.425, and 66.24.450.

33 (i) Until July 1, 2007, nothing in this section prohibits a
34 nonprofit statewide organization of microbreweries formed for the
35 purpose of promoting Washington's craft beer industry as a trade
36 association registered as a 501(c) with the internal revenue service
37 from holding a special occasion license to conduct up to six beer
38 festivals.

1 (2) Financial interest, direct or indirect, as used in this
2 section, shall include any interest, whether by stock ownership,
3 mortgage, lien, or through interlocking directors, or otherwise.
4 Pursuant to rules promulgated by the board in accordance with chapter
5 34.05 RCW manufacturers, distributors, and importers may perform, and
6 retailers may accept the service of building, rotating and restocking
7 case displays and stock room inventories; rotating and rearranging can
8 and bottle displays of their own products; provide point of sale
9 material and brand signs; price case goods of their own brands; and
10 perform such similar normal business services as the board may by
11 regulation prescribe.

12 (3)(a) This section does not prohibit a manufacturer, importer, or
13 distributor from providing services to a special occasion licensee for:
14 (i) Installation of draft beer dispensing equipment or advertising,
15 (ii) advertising, pouring, or dispensing of beer or wine at a beer or
16 wine tasting exhibition or judging event, or (iii) a special occasion
17 licensee from receiving any such services as may be provided by a
18 manufacturer, importer, or distributor. Nothing in this section shall
19 prohibit a retail licensee, or any person financially interested,
20 directly or indirectly, in such a retail licensee from having a
21 financial interest, direct or indirect, in a business which provides,
22 for a compensation commensurate in value to the services provided,
23 bottling, canning or other services to a manufacturer, so long as the
24 retail licensee or person interested therein has no direct financial
25 interest in or control of said manufacturer.

26 (b) A person holding contractual rights to payment from selling a
27 liquor distributor's business and transferring the license shall not be
28 deemed to have a financial interest under this section if the person
29 (i) lacks any ownership in or control of the distributor, (ii) is not
30 employed by the distributor, and (iii) does not influence or attempt to
31 influence liquor purchases by retail liquor licensees from the
32 distributor.

33 (c) The board shall adopt such rules as are deemed necessary to
34 carry out the purposes and provisions of subsection (3)(a) of this
35 section in accordance with the administrative procedure act, chapter
36 34.05 RCW.

37 (4) A license issued under RCW 66.24.395 does not constitute a
38 retail license for the purposes of this section.

1 (5) A public house license issued under RCW 66.24.580 does not
2 violate the provisions of this section as to a retailer having an
3 interest directly or indirectly in a liquor-licensed manufacturer.

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