
Government Accountability & Oversight Committee

HB 1161

Brief Description: Concerning sales for resale by retail licensees of liquor.

Sponsors: Representatives Hunter, Alexander, Hurst, Condotta, Ryu, Takko, Hayes, Short, Harris, Manweller, Schmick and Springer.

Brief Summary of Bill

- Defines "single sale" to mean a single transaction regardless of its proximity in time to other similar transactions, for the purposes of a retail licensee selling spirits or wine to bars and restaurants.
- Defines "spirit sales revenues under the license" to exclude sales of spirits to bars and restaurants, for the purpose of applying the 17 percent license issuance fee.

Hearing Date: 1/13/14

Staff: Thamas Osborn (786-7129).

Background:

Initiative Measure No. 1183

Initiative Measure No. 1183 (I-1183), passed by the voters in November 2011, transferred the responsibility for the distribution and retail sale of spirits (i.e., hard liquor) to the private sector.

Sales by spirits retail licensees to on-premise retail licensees under I-1183.

Under I-1183, a spirits retail licensee may sell spirits in original containers to retailers licensed to sell spirits for consumption on the premises for resale at their licensed premises (often called "on-premise" or "on-sale" retailers, which are typically bars and restaurants). The initiative specifies that for those sales, ". . . *no single sale may exceed twenty-four liters,*" unless the sale is by a former contract liquor store at the contract store location.

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.

The Liquor Control Board (LCB) adopted a rule providing that “single sales to an on-premises licensee are limited to one per day.” Accordingly, under the rule a spirits retail licensee is limited to one sales transaction per day with a specific bar or restaurant and that transaction, in turn, is limited to the sale of not more than 24 liters of spirits. This 24 liter limit also applies to grocery store licensees that are authorized to sell wine to on-premise liquor licensees.

Seventeen percent fee under I-1183 (prior to 2013 session).

I-1183 required each spirits retail licensee (except craft distilleries) to pay to the LCB a license issuance fee equivalent to 17 percent of “*all spirit sales revenues under the license. . .*” The calculation of this fee includes revenues derived from sales to bars and restaurants and is in addition to any taxes collected on the sales of the spirits. The fees are deposited into the Liquor Revolving Fund. Moneys in this fund are used for LCB expenses and "excess funds" are distributed to the state general fund and to cities, towns, and counties.

Changes made as the result of legislation passed during the 2013 session.

During the 2013 Legislative Session, the Legislature enacted Engrossed Substitute Senate Bill (ESSB) 5644, which exempts certain classes of licensed retailers from the payment of the 17 percent license issuance fee for certain types of spirits sales. Specifically, ESSB 5644 exempts both former state liquor stores and contract liquor stores from payment of the 17 percent fee with respect to spirits sales to those retailers licensed to sell spirits for consumption on the premises (i.e., bars and restaurants).

Summary of Bill:

The term “single sale” is defined to mean a single transaction regardless of its proximity in time to other similar transactions. Therefore, the one single sale per day limit on sales to bars and restaurants (i.e., a maximum of 24 liters) by spirits retail licensees no longer applies.

For the purpose of the imposition of license issuance fees upon spirits retailers, the definition of "spirits sales revenues under the license" does not include sales of spirits in original containers to retailers licensed to sell spirits for consumption on the premises. Therefore, the 17 percent license issuance fee is not applicable to spirits retailers with respect to sales to bars and restaurants.

The act applies to sales occurring on or after August 1, 2013.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.