

# HOUSE BILL REPORT

## HB 2412

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**As Reported by House Committee On:**  
Government Accountability & Oversight

**Title:** An act relating to license issuance fees imposed on spirits retail licensees.

**Brief Description:** Addressing license issuance fees imposed on spirits retail licensees.

**Sponsors:** Representatives Condotta and Haler.

**Brief History:**

**Committee Activity:**

Government Accountability & Oversight: 1/27/14, 2/5/14 [DPS].

**Brief Summary of Substitute Bill**

- Establishes that spirits retail licensees who are former state liquor stores or former contract liquor stores with monthly gross receipts of \$300,000 or less may pay a reduced license issuance fee of 7 percent of its spirits sales revenues.
- Establishes that spirits retail licensees who are former state liquor stores or former contract liquor stores with monthly gross receipts above \$300,000 must pay the full license issuance fee of 17 percent of its spirits sales revenues.

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### HOUSE COMMITTEE ON GOVERNMENT ACCOUNTABILITY & OVERSIGHT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hurst, Chair; Wylie, Vice Chair; Condotta, Ranking Minority Member; Holy, Assistant Ranking Minority Member; Blake, Kirby, Moscoso, Shea and Vick.

**Staff:** Thamas Osborn (786-7129).

**Background:**

Spirits Retailers and the Passage of Initiative Measure 1183.

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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.*

Initiative Measure 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) from the Liquor Control Board (LCB) to the private sector. Following the passage of I-1183, those private businesses licensed by the LCB to sell spirits at the retail level were designated as "spirits retail licensees." Such licensees generally fall into two categories: (1) grocery stores and other large retail establishments encompassing at least 10,000 square feet of retail space; and (2) smaller liquor stores that are either former state-owned liquor stores or former "contract liquor stores" that sold liquor on behalf of the state pursuant to contracts with the LCB prior to the passage of I-1183.

License Issuance Fees Applicable to Spirits Retail Licensees.

Large spirits retail licensees, with retail space exceeding 10,000 square feet, must 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 sales of the spirits.

Beginning on June 30, 2013, former state liquor stores and former contract liquor stores were granted a limited exemption from the payment of the 17 percent license issuance fee for certain types of spirits sales. Specifically, such stores are exempt 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).

Once collected by the LCB, license issuance 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.

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**Summary of Substitute Bill:**

Only those licensees who are former state liquor stores or former contract liquor stores are eligible for the reduction of license issuance fees authorized under the act.

Spirits retail licensees who are former state liquor stores or former contract liquor stores with monthly gross receipts of \$300,000 or less may pay a reduced license issuance fee of 7 percent of its spirits sales revenues.

Spirits retail licensees who are former state liquor stores or former contract liquor stores with monthly gross receipts above \$300,000 must pay the full license issuance fee of 17 percent of its spirits sales revenues.

**Substitute Bill Compared to Original Bill:**

The substitute bill establishes that only those licensees who are former state liquor stores or former contract liquor stores are eligible for the reduction of license issuance fees authorized under the act.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill represents a fair and even-handed approach to providing all liquor stores, big and small, with a tax break. Taxes and fees are passed on to the consumer and make liquor more expensive for everyone. Such tax breaks are much needed and will greatly help the small stores, who are struggling to stay in business. The bill gives all stores a 10 percent tax break. This bill is simple, reduces the differential between different types of stores, and has a good chance of passing the Legislature. However, the very small stores should be exempt from all license issuance fees insofar as they unnecessarily burden the small stores. They suffer many competitive disadvantages in comparison to the large stores. The small stores are doomed without special tax breaks from the state that enable them to better compete with the larger stores. Tax liabilities have a major negative impact on the profitability of the small stores. Sixty percent of the small stores are either already closed or facing immediate bankruptcy.

(Opposed) The bill creates a tax differential between the small and large stores that is unfair. Tax burdens should be the same for all stores and that was what was intended in I-1183. All stores should be treated identically, regardless of size. There should be a level playing field in the retail liquor business. Tax revenues are much needed and should not be compromised by bills that will encourage underage drinking and at the same time reduce state revenues.

**Persons Testifying:** (In support) Representative Condotta, prime sponsor; Trent House, Independent Liquor Store Association; Julie Ganas, Leavenworth Spirits; Dave Mehalick, Good Spirits; Bruce Matin Levine, The Liquor Cabinet; Ramona Leber, Association for Substance Abuse and Violence Prevention; Kristen Clark, Washington Liquor Store Association; David Cho, Washington Liquor Store Association; Julian Mart, Fine Spirits and Wines; Biniam Holbte, University Liquor Store; Jon Martin, Martin Bruni Liquor; and Jacqui Levine, The Liquor Cabinet.

(Opposed) Holly Chisa, Northwest Grocery Association; and Amy Brackenbury, Washington Food Industry Association.

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