

SENATE BILL REPORT

SB 6237

As Reported by Senate Committee On:
Commerce & Labor, January 27, 2014
Ways & Means, February 11, 2014

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: Senators Honeyford, Hewitt, Kohl-Welles, Hatfield and Hobbs.

Brief History:

Committee Activity: Commerce & Labor: 1/27/14 [w/oRec-WM].
Ways & Means: 2/10/14, 2/11/14 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON COMMERCE & LABOR

Staff: Edith Rice (786-7444)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6237 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Braun, Dammeier, Fraser, Frockt, Hatfield, Hewitt, Parlette, Rivers, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senator Hargrove, Ranking Member.

Minority Report: That it be referred without recommendation.

Signed by Senators Keiser, Assistant Ranking Member on the Capital Budget; Billig and Padden.

Staff: Dean Carlson (786-7305)

Background: Prior to the passage of Initiative 1183 (I-1183), spirits sales were permitted only at state-operated liquor stores. Upon passage of I-1183 in November 2011, the sale and distribution of spirits became privatized. The Liquor Control Board (LCB) was authorized to

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issue spirits retail sales licenses only for premises comprising at least 10,000 square feet and which met other requirements. Some exceptions to the square footage requirement included licensing an otherwise qualified contract liquor store at its contract location or to the holder of former state liquor store operating rights sold at auction. I-1183 required spirits retail licensees to pay a license issuance fee of 17 percent of all spirits sales revenue under the license to LCB for deposit into the liquor revolving fund. This is in addition to other liquor liter and sales taxes. The initiative permitted a spirits retail licensee to sell spirits to retailers licensed to sell spirits for on-premises consumption, such as bars and restaurants.

ESSB 5644 which took effect on June 30, 2013, provided that the license issuance fee of 17 percent does not apply to a licensee or their successor that was a contract liquor store manager, for sales of spirits to bars and restaurants. Nor does the 17 percent license issuance fee apply to a licensee or their successor that was a former state store auction buyer, for sales of spirits to bars and restaurants.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): Retail spirits licensees who are former contract liquor store managers with monthly gross receipts of \$200,000 or less are not required to pay a license issue fee on its retail spirits sales. Those same licensees with monthly gross receipts of \$350,000 or less must pay a license issuance fee of 7 percent. If their monthly gross receipts are \$350,000 or more, a license issuance fee of 17 percent must be paid. The law regarding sales to bars and restaurants remains the same.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute as Passed Committee): Former state auction stores were removed from the provisions of the bill.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Commerce & Labor): None.

Persons Testifying (Commerce & Labor): No one.

Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee (Ways & Means): PRO: Sixty percent of small liquor stores have closed. This fee structure is not designed for small stores. If nothing is changed, my store will close and the employees will lose jobs. If we do not do anything about this, all the auctioned state stores will be out of business. We can only make 52 cents per bottle. Soon there will only be out-of-state big box stores and Costco left. The 17 percent fee is the single greatest issue with former state and contract stores.

CON: We are opposed to bills that make the price of alcohol lower. This is a poor time to reduce revenues when so much treatment is needed.

OTHER: We would like to see this bill amended to apply to any store with the sales levels in the bill.

Persons Testifying (Ways & Means): PRO: Biniam Habte, David Cho, WA Liquor Stores Assn.; Jon Martin, Martin Bruni Liquor; Meru Belbayeva, Downtown Spirits; Trent House, Independent Liquor Store Assn.

CON: Seth Dawson, WA Assn. for Substance Abuse & Violence Prevention.

OTHER: Amy Brackenbury, WA Food Industry Assn.