

HOUSE BILL REPORT

HB 2831

As Reported by House Committee On:
Commerce & Gaming

Title: An act relating to assisting small businesses licensed to sell liquor in Washington state.

Brief Description: Assisting small businesses licensed to sell liquor in Washington state.

Sponsors: Representative Hurst.

Brief History:

Committee Activity:

Commerce & Gaming: 1/26/16, 2/1/16, 2/2/16 [DPS].

Brief Summary of Substitute Bill

- Creates a "wine retailer reseller endorsement" that is available to qualifying beer and/or wine specialty shop licensees.
- Authorizes a retailer licensed to sell both wine and spirits for off-premises consumption to use or operate a warehouse facility, where it may accept deliveries and store and distribute wine, spirits, and nonliquor items.

HOUSE COMMITTEE ON COMMERCE & GAMING

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, Scott, Van De Wege and Vick.

Staff: Thamas Osborn (786-7129).

Background:

Spirits Delivery Locations.

Spirits retail licensees, as well as licensed wine retailers, are authorized to accept delivery of spirits and wine, respectively, either at their licensed premises or at one or more warehouse facilities that have been registered with the Liquor and Cannabis Board (LCB). State law

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does not explicitly authorize the delivery and warehousing of both spirits and wine at a single facility owned or operated by a retailer holding both retail spirits and retail wine licenses.

Beer and/or Wine Retailer Specialty Shop License.

There is a beer and/or wine specialty shop license that allows the licensee to sell beer and wine at retail for off-premises consumption. Qualifying licensees may obtain a written endorsement from the LCB that expands the license so as to allow the sale of malt liquor in kegs or other containers capable of holding 4 gallons or more of liquid.

Summary of Substitute Bill:

Beer and/or Wine Specialty Shop License: Wine Retailer Reseller Endorsement.

The bill creates a "wine retailer reseller endorsement" that is available to qualifying beer and/or wine specialty shop licensees. A licensee with the endorsement is authorized to sell wine at retail in original containers to other retailers licensed to sell wine for consumption on the premises (i.e., bars and restaurants). However, no single sale may exceed 24 liters, unless the sale is made by a licensee that was formerly a contract liquor store. A sale by a beer and/or wine specialty shop licensee with a reseller endorsement is a retail sale only if not for resale. Accordingly, sales made under the reseller endorsement are not classified as retail sales for taxation purposes. The annual fee for the wine retailer reseller endorsement is \$110 for each store.

A licensee with a wine retailer reseller endorsement is authorized to operate a warehouse facility, where it may accept deliveries and store and distribute wine and other nonliquor items in accordance with the terms of the license. Two or more licensees may jointly own and operate such warehouse facilities.

Warehousing of Wine and Spirits by a Licensed Wine and Spirits Retailer.

A retailer authorized to sell both wine and spirits for off-premises consumption may use or operate a warehouse facility, where it may accept deliveries and store and distribute wine, spirits, and nonliquor items in accordance with the terms of the license. Two or more licensees may jointly operate such warehouse facilities, provided at least one of the licensees is licensed to sell both wine and spirits.

For purposes of negotiating volume discounts, a group of retailers licensed to sell both wine and spirits for off-premises consumption may accept delivery of wine and spirits at their individual licensed premises, or at any one of the other licensee's premises, or at a warehouse facility registered with the LCB.

Substitute Bill Compared to Original Bill:

The substitute bill deletes provisions in the original bill pertaining to:

- business loss fee credits;
- the calculation of liquor acquisition costs;
- discriminatory pricing practices by liquor manufacturers and liquor distributors; and
- waiver of penalties for failure to pay license issuance fees.

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) The small liquor stores continue to do poorly and are in need of some help. In 2016 alone, four more of the former state and contract liquor stores have gone out of business. These stores are facing a market that was not anticipated immediately following the passage of the initiative. The provisions in this bill would be very helpful and are needed to help the small stores compete more effectively with the larger stores. The small stores should receive a credit for losses incurred as the result of the spirits retail license issuance fee. This fee should be included in calculating the true acquisition cost of retail spirits. Also, the small stores deserve a break with respect to the penalties assessed for non-payment of the license issuance fee. It would also help if the small stores were allowed to form wine cooperatives in order to obtain volume discounts from distributors. Such cooperatives would enable large volume deliveries to single locations. Also, allowing the small stores to act as wine resellers to bars and restaurants makes sense, since the small stores can already do this with respect to spirits sales.

(Opposed) Section 5 of the bill would effectively prevent distributors from engaging in channel pricing for certain customers. This is unfair to both distributors and customers. Also, the concept of getting discounts for bulk purchases from distributors does not make sense if delivery involves multiple locations. The bill, therefore, should require delivery at a single location in order to be eligible for a bulk purchase price.

(Other) The LCB is not taking a position on the bill. Volume liquor purchases by retailer cooperatives have not presented any regulatory problems.

Persons Testifying: (In support) Brad Tower, David Cho, and Jon Martin, Washington Liquor Store Association.

(Opposed) Katie Jacoy, Washington Wine Institute; and Ron Main, Association of Washington Spirits and Wine Distributors.

(Other) James Paribello, Washington State Liquor and Cannabis Board.

Persons Signed In To Testify But Not Testifying: None.