

HOUSE BILL REPORT

ESSB 6470

As Reported by House Committee On:
Commerce & Gaming
General Government & Information Technology

Title: An act relating to provisions concerning wineries in respect to the licensing of private collections of wine, allowing wineries to make sales for off-premises consumption at special occasion licensed events, modifying special occasion licenses, and making certain related technical corrections.

Brief Description: Addressing provisions concerning wineries in respect to the licensing of private collections of wine, allowing wineries to make sales for off-premises consumption at special occasion licensed events, modifying special occasion licenses, and making certain related technical corrections.

Sponsors: Senate Committee on Commerce & Labor (originally sponsored by Senators King, Hasegawa, Conway, Keiser, Hewitt, Rivers and Chase).

Brief History:

Committee Activity:

Commerce & Gaming: 2/22/16, 2/23/16 [DPA];

General Government & Information Technology: 2/29/16 [DPA(GGIT w/o COG)].

**Brief Summary of Engrossed Substitute Bill
(As Amended by Committee)**

- Authorizes a nonprofit organization that obtains a special occasion liquor license to sell wine in original, unopened containers for consumption on the licensed premises.
- Authorizes a licensed domestic winery to sell wines of its own production at retail, and for off-premises consumption, at licensed special occasion events hosted by nonprofit entities, subject to specified conditions.
- Authorizes the Liquor and Cannabis Board to issue a special permit for the sale of a private collection of wine or spirits to an individual or business.
- Makes technical clarifications and corrections to various state liquor statutes.

HOUSE COMMITTEE ON COMMERCE & GAMING

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.

Majority Report: Do pass as amended. Signed by 8 members: Representatives Hurst, Chair; Wylie, Vice Chair; Condotta, Ranking Minority Member; Blake, Kirby, Scott, Van De Wege and Vick.

Staff: Thamas Osborn (786-7129).

Background:

Special Occasion Liquor License.

A nonprofit organization that obtains a special occasion liquor license from the Liquor and Cannabis Board (LCB) may sell spirits, beer, and wine by the individual glass to be consumed on the premises specified in the license. This license permits the licensee to serve liquor at a specified event, on a specified date, and at a specified place. The fee for this license is \$60 per day, and the organization is limited to sales on no more than 12 days per year. The sale, service, and consumption of spirits, beer, or wine are limited to a designated area only. If an organization gets advance permission from the LCB, the licensee may sell spirits, beer, or wine in original, unopened containers for off-premises consumption as well.

Taxes on Liquor Donated Pursuant to a Special Permit.

The LCB can issue a variety of special permits that allow vendors, manufacturers, importers, or distributors to provide liquor without a charge to delegates and guests at specified events. These events include trade association conventions for liquor licensees, as well as international trade fairs, shows, or expositions sponsored by a governmental entity or nonprofit organization. The donated liquor must be purchased from a spirits retailer or liquor distributor and is subject to the applicable liter taxes for wines and cider and the barrel taxes on beer. The special permit statute does not specify that taxes are imposed on donated spirits.

Special Permits.

The LCB is authorized to issue a variety of special permits for selling, serving, and handling alcohol at specified events or to persons or entities that do not hold a liquor license. There are no special permits for the sale of private wine or spirits collections.

Summary of Amended Bill:

Special Occasion Liquor Licenses and Wine Sales.

A nonprofit organization that obtains a special occasion liquor license may sell wine in original, unopened containers for consumption on the licensed premises if advance permission is obtained from the LCB.

A licensed domestic winery may sell wines of its own production at retail, and for off-premises consumption, at licensed special occasion events hosted by nonprofit entities, subject to the following conditions: (a) delivery to the purchaser must be on a date subsequent to the special event and at a place other than the location of the special event; (b) all wines sales must comply with statutory requirements regarding direct sales of wine to consumers; (c) the wine sold at the special event is not subject to resale; and (d) the domestic

winery is entitled to the proceeds from retail sales of its wines purchased for off-premises consumption but may share such proceeds with the nonprofit entity holding the special occasion event license.

Special Permit to Sell a Private Collection of Wine or Spirits.

An individual or business may apply to the LCB for a special permit to sell a private collection of wine or spirits to another individual or business. The seller must obtain a permit at least five business days before the sale, for a fee of \$25 dollars per sale. The seller must report the sales information and pay any taxes due to the LCB within 20 days of the sale.

This special permit allows the sale of a private collection of wine or spirits to an LCB licensee. However, the permit does not allow an LCB licensee to resell the wine or spirits to an individual or business if such sale is not otherwise authorized under the seller's license. If the liquor is purchased by an LCB licensee, the subsequent resale of such liquor is fully subject to all pertinent excise and sales taxes.

Clarification on Donated Liquor.

A cross reference to the spirits excise tax statute is added to statutory provisions governing the issuance of special permits allowing vendors, manufacturers, importers, and distributors to provide liquor without charge to delegates and guests at specified events. Adding this spirits excise tax cross reference clarifies that donated spirits are subject to state tax, as are donated wine and beer.

Technical Clarifications and Corrections.

A number of technical clarifications and corrections are made to various state liquor statutes. An obsolete statute dating before Initiative 1183 and authorizing discounted liquor sales by the LCB to specific entities is repealed.

Amended Bill Compared to Engrossed Substitute Bill:

The committee amendment eliminates the requirement that a domestic winery must have a liquor license endorsement from the LCB before it can accept purchase orders for its wine at an event sponsored by a nonprofit entity holding a special occasion license.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 24, 2016.

Effective Date of Amended 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 is a good bill that benefits charitable organizations as well as domestic wineries and will encourage the hosting of fundraising events by nonprofit entities. The bill

allows a nonprofit hosting a charitable event to sell unopened bottles of wine for consumption at the location at which the event is held. This means that participants can purchase a bottle of wine that can be brought back to the table to be shared with others. The bill would also allow a domestic winery participating in such an event to take purchase orders for its wine, but only for delivery at a later date and at a different location. This will encourage domestic wineries to participate in such nonprofit events and to donate wine for consumption at such events. The license endorsement requirement for domestic wineries is unnecessary and should be removed via amendment.

The proposed amendment to eliminate the requirement that a domestic winery have a liquor license endorsement from the LCB before it can accept purchase orders for its wine at a nonprofit special event seems acceptable but needs additional consideration. The bill makes needed technical changes to existing statutes and closes a gap in existing liquor laws by creating a procedure for the sale of a privately owned collection of wine or spirits.

(Opposed) None.

Persons Testifying: Senator King, prime sponsor; Josh McDonald, Washington Wine Institute; and James Paribello, Washington State Liquor and Cannabis Board.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON GENERAL GOVERNMENT & INFORMATION TECHNOLOGY

Majority Report: Do pass as amended by Committee on General Government & Information Technology and without amendment by Committee on Commerce & Gaming. Signed by 7 members: Representatives Hudgins, Chair; Kuderer, Vice Chair; MacEwen, Ranking Minority Member; Caldier, Assistant Ranking Minority Member; Johnson, Morris and Senn.

Staff: Linda Merelle (786-7092).

Summary of Recommendation of Committee On General Government & Information Technology Compared to Recommendation of Committee On Commerce & Gaming:

A clause was added to make the bill null and void if it is not funded in the budget.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony:

(In support) Wineries will be able to afford to participate in more charity events. Both wineries and charities will benefit. This bill renews the ability of wineries to sell to licensees and makes technical changes.

(Opposed) None.

Persons Testifying: Josh McDonald, Washington Wine Institute; and James Paribelo, Liquor and Cannabis Board.

Persons Signed In To Testify But Not Testifying: None.