

# SENATE BILL REPORT

## E2SHB 1807

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As Reported by Senate Committee On:  
Commerce & Labor, March 27, 2015

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

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

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Condotta and Hurst).

**Brief History:** Passed House: 3/10/15, 98-0.

**Committee Activity:** Commerce & Labor: 3/20/15, 3/27/15 [DPA].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass as amended.

Signed by Senators Braun, Vice Chair; Hasegawa, Ranking Minority Member; Conway, Keiser, King and Warnick.

**Staff:** Richard Rodger (786-7461)

**Background:** Spirits Retail Licensees. Businesses licensed by the Liquor Control Board (LCB) to sell spirits at the retail level are 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 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 LCB prior to the passage of Initiative 1183 in 2011.

License Issuance Fee. With one exception, all spirits retail licensees must pay an annual license issuance fee to LCB in the amount of 17 percent of all spirit sales revenue. In 2013 the former state liquor stores and former contract liquor stores were granted a limited exemption from the 17 percent fee for spirits sales to retailers licensed to sell spirits for consumption on the premises, i.e. bars and restaurants.

Sanctions for Late Payments. Failure of a spirits retailer licensee to submit its quarterly reports and payments to the board is sufficient grounds for the board to suspend or revoke the business's liquor license. A penalty of 2 percent per month is assessed on any payments postmarked after the twenty-fifth day the quarterly reports are due.

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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.*

Spirits Delivery Locations. A spirits retail licensee is authorized to accept delivery of spirits shipments either at its licensed premises or at one or more warehouse facilities that have been registered with LCB.

**Summary of Bill (Recommended Amendments):** Sanctions for Late Payments of the License Issuance Fee. LCB cannot assess a monetary penalty exceeding 1 percent of the balance due against a licensee that fails to timely pay the license issuance fee.

Volume Discounts and Spirits Delivery Locations. For the purpose of negotiating volume discounts, a group of spirits retail licensees may accept delivery of spirits at their individual licensed premises, at any one of the individual licensees premises, or at a warehouse facility registered with LCB.

**EFFECT OF CHANGES MADE BY COMMERCE & LABOR COMMITTEE (Recommended Amendments):** Removes two subsections from the bill which: (1) waived past penalties imposed on licensees for the failure to pay license issuance fees, and provided a credit for any penalties previously paid; and (2) allowed those licensees with unpaid license issuance fees to reopen closed stores, move their store location, or lease their rights to a new licensee, over a period of the next 24 months.

Strikes the null and void clause from 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 on Engrossed Second Substitute House Bill:** PRO: This bill retains two pieces that assist small liquor stores that have struggled due to decisions that were beyond their control. It allows group purchases to help them keep their costs down. The bill reduces the interest rates on penalties and waives past penalties. The waiver provision is the cost driver in the bill. This is probably our last effort to save these small stores. LCB has not used the provision that requires LCB to use revenues from the sale of assets to prevent harm to contract liquor stores. The contract liquor stores were profitable before passage of the initiative. The initiative used the California model, but not the California pricing.

**Persons Testifying:** PRO: Brad Tower, WA Liquor Store Assn.; Tillman Carr, liquor store owner; Linda Thrasher, Deer Park Liquor and Wine – former Contract Store 542.

**Persons Signed in to Testify But Not Testifying:** No one.