

SENATE BILL REPORT

SHB 2831

As Reported by Senate Committee On:
Commerce & Labor, February 26, 2016
Ways & Means, February 29, 2016

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: House Committee on Commerce & Gaming (originally sponsored by Representative Hurst).

Brief History: Passed House: 2/16/16, 97-0.

Committee Activity: Commerce & Labor: 2/24/16, 2/26/16 [DPA].

Ways & Means: 2/29/16, 2/29/16 [DPA, DNP].

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended.

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

Staff: Richard Rodger (786-7461)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Hasegawa, Hewitt, O'Ban, Padden, Parlette, Pedersen, Rolfes, Schoesler and Warnick.

Minority Report: Do not pass.

Signed by Senators Darneille and Nelson.

Staff: Dean Carlson (786-7305)

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

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licensed premises or at one or more warehouse facilities that have been registered with the Liquor and Cannabis Board (LCB). State law 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 Bill (Recommended Amendments): 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. The maximum amount of sales in a day of resale sales to other retailers is five thousand liters. 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 a single location, which may be at their individual licensed premises, or at any one of the other licensee's premises, or at a warehouse facility registered with the LCB.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Amendments): A beer and/or wine specialty shop licensee may sell a maximum of five thousand liters of wine per day for resale to retailers licensed to sell wine for consumption on the premises.

EFFECT OF CHANGES MADE BY COMMERCE & LABOR COMMITTEE (Recommended Amendments): A group of individual retailers who use collective buying to achieve volume discounts may only accept delivery of the order at a single location.

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 Substitute Bill (Commerce & Labor): PRO: This bill is intended to help our contract and auction liquor stores, half of which have gone out of business. The bill simply adds wine to the list of products that these stores can purchase through collective buying to achieve volume discounts. It does not include items controversial items such as channel pricing or tax issues. We do not intend or expect that the bill requires deliveries of a single order to be made multiple locations.

CON: We do not like the retail-to-retail sales and prefer to sell our products through distributors. We are concerned that the volume discount orders may require use to make the deliveries at multiple locations. We would prefer to make deliveries to a single location. The 24-liter limit discriminates between regular retailers by allowing only the contract or auction stores to sell greater volumes per day.

Persons Testifying on Substitute Bill (Commerce & Labor): PRO: Representative Hurst, Prime Sponsor; Brad Tower, Washington Liquor Store Association; Jon Martin, Martin Bruni Liquor.

CON: Rowland Thompson, The Wine Institute; Josh McDonald, Washington Wine Institute.

Persons Signed In To Testify But Not Testifying on Substitute Bill: No one.

Staff Summary of Public Testimony on Recommended Amendments From Commerce & Labor (Ways & Means): PRO: Last year the Legislature allowed the former state and contract stores to come together to gain volume discounts for spirits. This bill would allow them to do the same with wine, as well as the ability to sell wine to restaurants and bars.

Persons Testifying on Recommended Amendments From Commerce & Labor (Ways & Means): PRO: Brad Tower, Washington LIquor Store Association.

Persons Signed In To Testify But Not Testifying on Recommended Amendments: No one.