

# SENATE BILL REPORT

## ESSB 6470

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As Passed Senate, February 12, 2016

**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 & Labor: 1/29/16, 2/03/16 [DPS, w/oRec].

Passed Senate: 2/12/16, 39-8.

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** That Substitute Senate Bill No. 6470 be substituted therefor, and the substitute bill do pass.

Signed by Senators Baumgartner, Chair; Braun, Vice Chair; Conway, Keiser, King and Warnick.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Hasegawa, Ranking Minority Member.

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

**Background:** Special Occasion Events. A not-for-profit 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. This license permits the licensee to serve liquor at a specified event, on a specified date and 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.

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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.*

The sale, service, and consumption of spirits, beer, or wine is limited to a designated area only. If an organization gets prior permission from the LCB, the licensee may sell spirits, beer, or wine in original, unopened containers for off-premises consumption as well.

Taxes on Donated Liquor. 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 liquor served at trade association conventions for licensees of the LCB, and at international trade fair, shows, or expositions sponsored by a governmental entity or nonprofit organization. The donated liquor must be purchased from a spirits retailer or 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. 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 Engrossed Substitute Bill:** Special Occasion Events. A not-for-profit organization that obtains a special occasion liquor license may also sell wine in original, unopened containers for consumption on the premises, if prior permission is obtained from the LCB.

Additionally, a domestic winery may sell wine of its own production at a not-for-profit organization's licensed special occasion event, if the winery obtains an annual endorsement from the LCB. This annual endorsement costs \$75 and allows the winery to make wine sales: for on-premises consumption for wine that may be served by the special occasion licensee; to a consumer for later delivery after the event; or, to a consumer for delivery at a different location. The winery must comply with all requirements for direct sales of wine to consumers. Wine sold at the event may not be sold for resale. The winery may enter into an agreement to share a portion of the proceeds with the special occasion licensee.

Clarification on Donated Liquor. A technical cross-reference is added for the taxes that are currently collected on spirits donated under a special permit that allows vendors, manufacturers, importers, or distributors to provide liquor without a charge to delegates and guests at specified events.

Special Permits. 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 may be issued to allow the sale of a private collection to an LCB licensee. The permit is not available to an LCB licensee to sell to a private individual or business which is not otherwise authorized under the seller's license. If the liquor is purchased by a LCB licensee, all sales are subject to taxes assessed as on liquor acquired from any other source. The LCB may adopt rules to implement this section.

Technical Clarifications and Corrections. A number of technical clarifications and corrections are made. An outdated statute authorizing discounted liquor sales by the LCB to specific entities is repealed.

**Appropriation:** None.

**Fiscal Note:** Available.

[OFM requested ten-year cost projection pursuant to I-960.]

**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 Original Bill:** PRO: Many domestic wineries donate wines to charitable fund-raising events such as cancer institutes, schools, and aquariums. Allowing the wineries to also sell their wines at these events will help us cover our costs and participate in more nonprofit events. The current limitations create situations where patrons of these events would like to immediately purchase our products, but will not track our products down if it's not sold at the event.

The provision that allows a not-for-profit organization to sell a bottle of wine to be consumed on the premises at a licensed special occasion event was considered and passed by the Committee last year.

The LCB is supportive of the provisions in the bill that allow for the sale of private collections of wine or spirits. The agency also supports the technical and clarifying revisions made throughout the bill, while we are neutral on the other provisions.

CON: The beer distributors want both large and small manufacturers to have the same access. We have three specific concerns with Section 1 of the bill: The intent of this law is to provide a benefit to not-for-profit organizations, and the amendment expands the statute to benefit domestic wineries; the amendment also violates the three-tier system; and we have concerns about enforcement in dealing with multiple licensees operating at a single event.

**Persons Testifying On Original Bill:** PRO: Josh McDonald, Washington Wine Institute; Gaye McNutt, Cadence Winery; James Parabello, Liquor and Cannabis Board; James Paribello, WSLCB.

CON: Bill Stauffacher, Washington Beer and Wine Distributors Association.

**Persons Signed In To Testify But Not Testifying On Original Bill:** No one.