
HOUSE BILL 1902

State of Washington

64th Legislature

2015 Regular Session

By Representatives Harmsworth, Young, Scott, Griffey, and Hayes

Read first time 02/02/15. Referred to Committee on Commerce & Gaming.

1 AN ACT Relating to renaming the spirits retail license fee as a
2 tax and dedicating revenue to education; and amending RCW 66.24.630,
3 66.24.632, 66.08.190, and 82.08.155.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 66.24.630 and 2012 2nd sp.s. c 6 s 401 are each
6 amended to read as follows:

7 (1) There is a spirits retail license to: Sell spirits in
8 original containers to consumers for consumption off the licensed
9 premises and to permit holders; sell spirits in original containers
10 to retailers licensed to sell spirits for consumption on the
11 premises, for resale at their licensed premises according to the
12 terms of their licenses, although no single sale may exceed twenty-
13 four liters, unless the sale is by a licensee that was a contract
14 liquor store manager of a contract liquor store at the location of
15 its spirits retail licensed premises from which it makes such sales;
16 and export spirits.

17 (2) For the purposes of this title, a spirits retail license is a
18 retail license, and a sale by a spirits retailer is a retail sale
19 only if not for resale. Nothing in this title authorizes sales by on-
20 sale licensees to other retail licensees. The board must establish by
21 rule an obligation of on-sale spirits retailers to:

1 (a) Maintain a schedule by stock-keeping unit of all their
2 purchases of spirits from spirits retail licensees, indicating the
3 identity of the seller and the quantities purchased; and

4 (b) Provide, not more frequently than quarterly, a report for
5 each scheduled item containing the identity of the purchasing on-
6 premises (~~on-premises~~) licensee and the quantities of that
7 scheduled item purchased since any preceding report to:

8 (i) A distributor authorized by the distiller to distribute a
9 scheduled item in the on-sale licensee's geographic area; or

10 (ii) A distiller acting as distributor of the scheduled item in
11 the area.

12 (3)(a) Except as otherwise provided in (c) of this subsection,
13 the board may issue spirits retail licenses only for premises
14 comprising at least ten thousand square feet of fully enclosed retail
15 space within a single structure, including storerooms and other
16 interior auxiliary areas but excluding covered or fenced exterior
17 areas, whether or not attached to the structure, and only to
18 applicants that the board determines will maintain systems for
19 inventory management, employee training, employee supervision, and
20 physical security of the product substantially as effective as those
21 of stores currently operated by the board with respect to preventing
22 sales to or pilferage by underage or inebriated persons.

23 (b) License issuances and renewals are subject to RCW 66.24.010
24 and the regulations promulgated thereunder, including without
25 limitation rights of cities, towns, county legislative authorities,
26 the public, churches, schools, and public institutions to object to
27 or prevent issuance of local liquor licenses. However, existing
28 grocery premises licensed to sell beer and/or wine are deemed to be
29 premises "now licensed" under RCW 66.24.010(9)(a) for the purpose of
30 processing applications for spirits retail licenses.

31 (c) The board may not deny a spirits retail license to an
32 otherwise qualified contract liquor store at its contract location or
33 to the holder of former state liquor store operating rights sold at
34 auction under RCW 66.24.620 on the grounds of location, nature, or
35 size of the premises to be licensed. The board may not deny a spirits
36 retail license to applicants that are not contract liquor stores or
37 operating rights holders on the grounds of the size of the premises
38 to be licensed, if such applicant is otherwise qualified and the
39 board determines that:

1 (i) There is no retail spirits license holder in the trade area
2 that the applicant proposes to serve;

3 (ii) The applicant meets, or upon licensure will meet, the
4 operational requirements established by the board by rule; and

5 (iii) The licensee has not committed more than one public safety
6 violation within the three years preceding application.

7 (d) A retailer authorized to sell spirits for consumption on or
8 off the licensed premises may accept delivery of spirits at its
9 licensed premises or at one or more warehouse facilities registered
10 with the board, which facilities may also warehouse and distribute
11 nonliquor items, and from which the retailer may deliver to its own
12 licensed premises and, pursuant to sales permitted under subsection
13 (1) of this section:

14 (i) To other retailer premises licensed to sell spirits for
15 consumption on the licensed premises;

16 (ii) To other registered facilities; or

17 (iii) To lawful purchasers outside the state. The facilities may
18 be registered and utilized by associations, cooperatives, or
19 comparable groups of retailers, including at least one retailer
20 licensed to sell spirits.

21 (4)(a) Except as otherwise provided in (b) of this subsection,
22 each spirits retail licensee must pay to the ~~((board))~~ department of
23 revenue, for deposit into the liquor revolving fund, a license
24 issuance ~~((fee))~~ tax equivalent to seventeen percent of all spirits
25 sales revenues under the license, exclusive of taxes collected by the
26 licensee and of sales of items on which a license fee payable under
27 this section has otherwise been incurred. The ~~((board must establish~~
28 ~~rules setting forth the timing of such payments and reporting of~~
29 ~~sales dollar volume by the licensee, with payments required quarterly~~
30 ~~in arrears. The first payment is due October 1, 2012.~~

31 ~~(b) This subsection (4) does not apply to craft distilleries))~~
32 department must establish rules for the reporting of spirits sales
33 revenues and payments of such taxes by the licensee at the same time
34 as required for reporting and payment of spirits taxes under RCW
35 82.08.150. Chapter 82.32 RCW applies to the license issuance tax
36 required under this subsection (4)(a).

37 (b) Craft distilleries are exempt from the license issuance tax
38 required under (a) of this subsection.

39 (5) In addition to the payment required under subsection (4) of
40 this section, each licensee must pay an annual license renewal fee of

1 one hundred sixty-six dollars. The board must periodically review and
2 adjust the renewal fee as may be required to maintain it as
3 comparable to annual license renewal fees for licenses to sell beer
4 and wine not for consumption on the licensed premises. If required by
5 law at the time, any increase of the annual renewal fee becomes
6 effective only upon ratification by the legislature.

7 (6) As a condition to receiving and renewing a retail spirits
8 license the licensee must provide training as prescribed by the board
9 by rule for individuals who sell spirits or who manage others who
10 sell spirits regarding compliance with laws and regulations regarding
11 sale of spirits, including without limitation the prohibitions
12 against sale of spirits to individuals who are underage or visibly
13 intoxicated. The training must be provided before the individual
14 first engages in the sale of spirits and must be renewed at least
15 every five years. The licensee must maintain records documenting the
16 nature and frequency of the training provided. An employee training
17 program is presumptively sufficient if it incorporates a "responsible
18 vendor program" promulgated by the board.

19 (7) The maximum penalties prescribed by the board in WAC
20 314-29-020 through 314-29-040 relating to fines and suspensions are
21 doubled for violations relating to the sale of spirits by retail
22 spirits licensees.

23 (8)(a) The board must promulgate regulations concerning the
24 adoption and administration of a compliance training program for
25 spirits retail licensees, to be known as a "responsible vendor
26 program," to reduce underage drinking, encourage licensees to adopt
27 specific best practices to prevent sales to minors, and provide
28 licensees with an incentive to give their employees ongoing training
29 in responsible alcohol sales and service.

30 (b) Licensees who join the responsible vendor program under this
31 section and maintain all of the program's requirements are not
32 subject to the doubling of penalties provided in this section for a
33 single violation in any period of twelve calendar months.

34 (c) The responsible vendor program must be free, voluntary, and
35 self-monitoring.

36 (d) To participate in the responsible vendor program, licensees
37 must submit an application form to the board. If the application
38 establishes that the licensee meets the qualifications to join the
39 program, the board must send the licensee a membership certificate.

1 (e) A licensee participating in the responsible vendor program
2 must at a minimum:
3 (i) Provide ongoing training to employees;
4 (ii) Accept only certain forms of identification for alcohol
5 sales;
6 (iii) Adopt policies on alcohol sales and checking
7 identification;
8 (iv) Post specific signs in the business; and
9 (v) Keep records verifying compliance with the program's
10 requirements.

11 **Sec. 2.** RCW 66.24.632 and 2013 2nd sp.s. c 12 s 3 are each
12 amended to read as follows:

13 (1) Beginning June 30, 2013, the license issuance ((fee)) tax
14 under RCW 66.24.630(4) does not apply to a spirits retail licensee
15 that was a contract liquor store manager with respect to sales of
16 spirits in original containers from the location of its spirits
17 retail licensed premises to retailers licensed to sell spirits for
18 consumption on the premises for resale at their licensed premises.

19 (2) Beginning June 30, 2013, the license issuance fee under RCW
20 66.24.630(4) does not apply to a spirits retail licensee that was a
21 former state store auction buyer, with respect to sales of spirits in
22 original containers from the location of its spirits retail licensed
23 premises to retailers licensed to sell spirits for consumption on the
24 premises for resale at their licensed premises.

25 (3) The exemptions created in this section attach to any
26 successor, by purchase or otherwise, to the spirits retail license,
27 except that an exemption does not attach to any such successor that
28 owns, directly or indirectly, any interest in a spirits retail
29 license that is not derived directly from a former contract liquor
30 store manager or a former state store auction buyer.

31 **Sec. 3.** RCW 66.08.190 and 2012 2nd sp.s. c 5 s 8 are each
32 amended to read as follows:

33 (1) Prior to making distributions described in subsection (2) of
34 this section, amounts must be retained to support allotments under
35 RCW 43.88.110 from any legislative appropriation for municipal
36 research and services. The legislative appropriation for such
37 services must be in the amount specified under RCW 66.24.065.

1 (2) When excess funds are distributed during the months of June,
2 September, December, and March of each year, all moneys subject to
3 distribution must be disbursed to border areas, counties, cities, and
4 towns as provided in RCW 66.24.065.

5 (3) To the extent funds are available after making the
6 distributions in subsections (1) and (2) of this section, the amount
7 collected under RCW 66.24.630(4) must be deposited in the education
8 legacy trust account created under RCW 83.100.230.

9 (4) The amount remaining after distributions under subsections
10 (1) (~~and (2)~~) through (3) of this section must be deposited into
11 the general fund.

12 **Sec. 4.** RCW 82.08.155 and 2012 c 39 s 1 are each amended to read
13 as follows:

14 (1)(a) If the department determines that a taxpayer is more than
15 thirty days delinquent in reporting or remitting spirits taxes on a
16 tax return or assessed by the department, including any applicable
17 penalties and interest on such taxes, the department may request that
18 the liquor control board suspend the taxpayer's spirits license or
19 licenses and refuse to renew any existing spirits license held by the
20 taxpayer or issue any new spirits license to the taxpayer. The
21 department must provide written notice to the affected taxpayer of
22 the department's request to the liquor control board.

23 (b) Before the department may make a request to the liquor
24 control board as authorized in (a) of this subsection (1), the
25 department must have provided the taxpayer with at least seven
26 calendar days prior written notice. This notice must inform the
27 taxpayer that the department intends to request that the liquor
28 control board suspend the taxpayer's spirits license or licenses and
29 refuse to renew any existing license of the taxpayer or issue any new
30 spirits license to the taxpayer unless, within seven calendar days of
31 the date of the notice, the taxpayer submits any unfiled tax returns
32 for reporting spirits taxes and remits full payment of its
33 outstanding spirits tax liability to the department or negotiates
34 payment arrangements for the unpaid spirits taxes. The notice
35 required by this subsection (1)(b) must include information listing
36 any unfiled tax returns; the amount of unpaid spirits taxes,
37 including any applicable penalties and interest; who to contact to
38 inquire about payment arrangements; and that the taxpayer may seek
39 administrative review by the department of the notice, and the

1 deadline for seeking such review. Nothing in this subsection (1)(b)
2 requires the department to enter into any payment arrangement
3 proposed by a taxpayer if the department determines that the
4 taxpayer's proposal is not satisfactory.

5 (c) The department may not make a request to the liquor control
6 board under (~~subsection (1)~~)(a) of this (~~section~~) subsection
7 relating to any spirits taxes that are the subject of pending
8 administrative review by the department.

9 (2) A taxpayer's right to administrative review of the notice
10 required in subsection (1)(b) of this section:

11 (a) May be conducted under any rule adopted pursuant to RCW
12 82.01.060(4) or as a brief adjudicative proceeding under RCW
13 34.05.485 through 34.05.494; and

14 (b) Does not include the right to challenge the amount of any
15 spirits taxes assessed by the department if the taxpayer previously
16 sought or could have sought administrative review of the assessment
17 as provided in RCW 82.32.160.

18 (3) The notices required by this section may be provided
19 electronically in accordance with RCW 82.32.135.

20 (4) (~~For purposes of this section:~~) The definitions in this
21 subsection apply throughout this section unless the context clearly
22 requires otherwise.

23 (a) "Spirits license" has the same meaning as in RCW
24 66.24.010(3)(c); and

25 (b) "Spirits taxes" means the taxes imposed in RCW 82.08.150 and
26 66.24.630.

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