

CERTIFICATION OF ENROLLMENT
ENGROSSED SECOND SUBSTITUTE SENATE BILL 5353

64th Legislature
2015 Regular Session

Passed by the Senate April 16, 2015
Yeas 36 Nays 9

President of the Senate

Passed by the House April 14, 2015
Yeas 94 Nays 3

Speaker of the House of Representatives

Approved

Governor of the State of Washington

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE SENATE BILL 5353** as passed by Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE SENATE BILL 5353

AS AMENDED BY THE HOUSE

Passed Legislature - 2015 Regular Session

State of Washington 64th Legislature 2015 Regular Session

By Senate Ways & Means (originally sponsored by Senator Angel)

1 AN ACT Relating to marketing opportunities for spirits produced
2 in Washington by craft and general licensed distilleries; amending
3 RCW 66.24.140, 66.24.145, and 66.20.010; adding a new section to
4 chapter 66.20 RCW; and adding a new section to chapter 66.24 RCW.

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

6 **Sec. 1.** RCW 66.24.140 and 2014 c 92 s 4 are each amended to read
7 as follows:

8 (1) There (~~shall be~~) is a license to distillers, including
9 blending, rectifying, and bottling; fee two thousand dollars per
10 annum, unless provided otherwise as follows:

11 (a) For distillers producing one hundred fifty thousand gallons
12 or less of spirits with at least half of the raw materials used in
13 the production grown in Washington, the license fee must be reduced
14 to one hundred dollars per annum;

15 (b) The board must license stills used and to be used solely and
16 only by a commercial chemist for laboratory purposes, and not for the
17 manufacture of liquor for sale, at a fee of twenty dollars per annum;

18 (c) The board must license stills used and to be used solely and
19 only for laboratory purposes in any school, college, or educational
20 institution in the state, without fee; and

1 (d) The board must license stills that have been duly licensed as
2 fruit and/or wine distilleries by the federal government, used and to
3 be used solely as fruit and/or wine distilleries in the production of
4 fruit brandy and wine spirits, at a fee of two hundred dollars per
5 annum.

6 (2) Any distillery licensed under this section may:

7 (a) Sell spirits of its own production for consumption off the
8 premises. A distillery selling spirits under this subsection must
9 comply with the applicable laws and rules relating to retailers;

10 (b) Contract distilled spirits for, and sell contract distilled
11 spirits to, holders of distillers' or manufacturers' licenses,
12 including licenses issued under RCW 66.24.520, or for export; and

13 (c) Provide free or for a charge one-half ounce or less samples
14 of spirits of its own production to persons on the premises of the
15 distillery. The maximum total per person per day is two ounces. Every
16 person who participates in any manner in the service of samples must
17 obtain a class 12 alcohol server permit. Spirits samples may be
18 adulterated with nonalcoholic mixers, water, and/or ice.

19 **Sec. 2.** RCW 66.24.145 and 2014 c 92 s 1 are each amended to read
20 as follows:

21 (1)(a) Any craft distillery may sell spirits of its own
22 production for consumption off the premises.

23 (b) A craft distillery selling spirits under this subsection must
24 comply with the applicable laws and rules relating to retailers.

25 (2) Any craft distillery may contract distilled spirits for, and
26 sell contract distilled spirits to, holders of distillers' or
27 manufacturers' licenses, including licenses issued under RCW
28 66.24.520, or for export.

29 (3) Any craft distillery licensed under this section may provide,
30 free or for a charge, one-half ounce or less samples of spirits of
31 its own production to persons on the premises of the distillery. The
32 maximum total per person per day is two ounces. Every person who
33 participates in any manner in the service of samples must obtain a
34 class 12 alcohol server permit. Spirits samples may be adulterated
35 with nonalcoholic mixers, water, and/or ice.

36 (4)(a) A distillery or craft distillery licensee may apply to the
37 board for an endorsement to sell spirits of its own production at
38 retail for off-premises consumption at a qualifying farmers market.
39 The annual fee for this endorsement is seventy-five dollars.

1 (b) For each month during which a distillery or craft distillery
2 will sell spirits at a qualifying farmers market, the distillery or
3 craft distillery must provide the board or its designee a list of the
4 dates, times, and locations at which bottled spirits may be offered
5 for sale. This list must be received by the board before the spirits
6 may be offered for sale at a qualifying farmers market.

7 (c) Each approved location in a qualifying farmers market is
8 deemed to be part of the distillery or craft distillery license for
9 the purpose of this title. The approved locations under an
10 endorsement granted under this subsection do not include tasting or
11 sampling privileges. The distillery or craft distillery may not store
12 spirits at a farmers market beyond the hours that the bottled spirits
13 are offered for sale. The distillery or craft distillery may not act
14 as a distributor from a farmers market location.

15 (d) Before a distillery or craft distillery may sell bottled
16 spirits at a qualifying farmers market, the farmers market must apply
17 to the board for authorization for any distillery or craft distillery
18 with an endorsement approved under this subsection to sell bottled
19 spirits at retail at the farmers market. This application must
20 include, at a minimum: (i) A map of the farmers market showing all
21 booths, stalls, or other designated locations at which an approved
22 distillery or craft distillery may sell bottled spirits; and (ii) the
23 name and contact information for the on-site market managers who may
24 be contacted by the board or its designee to verify the locations at
25 which bottled spirits may be sold. Before authorizing a qualifying
26 farmers market to allow an approved distillery or craft distillery to
27 sell bottled spirits at retail at its farmers market location, the
28 board must notify the persons or entities of such application for
29 authorization pursuant to RCW 66.24.010 (8) and (9). An authorization
30 granted under this subsection (4)(d) may be withdrawn by the board
31 for any violation of this title or any rules adopted under this
32 title.

33 (e) For the purposes of this subsection (4), "qualifying farmers
34 market" has the same meaning as defined in RCW 66.24.170.

35 (5) The board must adopt rules to implement the alcohol server
36 permit requirement and may adopt additional rules to implement this
37 section.

38 ~~((+5))~~ (6) Distilling is an agricultural practice.

1 **Sec. 3.** RCW 66.20.010 and 2013 c 59 s 1 are each amended to read
2 as follows:

3 Upon application in the prescribed form being made to any
4 employee authorized by the board to issue permits, accompanied by
5 payment of the prescribed fee, and upon the employee being satisfied
6 that the applicant should be granted a permit under this title, the
7 employee must issue to the applicant under such regulations and at
8 such fee as may be prescribed by the board a permit of the class
9 applied for, as follows:

10 (1) Where the application is for a special permit by a physician
11 or dentist, or by any person in charge of an institution regularly
12 conducted as a hospital or sanitorium for the care of persons in ill
13 health, or as a home devoted exclusively to the care of aged people,
14 a special liquor purchase permit, except that the governor may waive
15 the requirement for a special liquor purchase permit under this
16 subsection pursuant to an order issued under RCW 43.06.220(2);

17 (2) Where the application is for a special permit by a person
18 engaged within the state in mechanical or manufacturing business or
19 in scientific pursuits requiring alcohol for use therein, or by any
20 private individual, a special permit to purchase alcohol for the
21 purpose named in the permit, except that the governor may waive the
22 requirement for a special liquor purchase permit under this
23 subsection pursuant to an order issued under RCW 43.06.220(2);

24 (3) Where the application is for a special permit to consume
25 liquor at a banquet, at a specified date and place, a special permit
26 to purchase liquor for consumption at such banquet, to such
27 applicants as may be fixed by the board;

28 (4) Where the application is for a special permit to consume
29 liquor on the premises of a business not licensed under this title, a
30 special permit to purchase liquor for consumption thereon for such
31 periods of time and to such applicants as may be fixed by the board;

32 (5) Where the application is for a special permit by a
33 manufacturer to import or purchase within the state alcohol, malt,
34 and other materials containing alcohol to be used in the manufacture
35 of liquor, or other products, a special permit;

36 (6) Where the application is for a special permit by a person
37 operating a drug store to purchase liquor at retail prices only, to
38 be thereafter sold by such person on the prescription of a physician,
39 a special liquor purchase permit, except that the governor may waive

1 the requirement for a special liquor purchase permit under this
2 subsection pursuant to an order issued under RCW 43.06.220(2);

3 (7) Where the application is for a special permit by an
4 authorized representative of a military installation operated by or
5 for any of the armed forces within the geographical boundaries of the
6 state of Washington, a special permit to purchase liquor for use on
7 such military installation;

8 (8) Where the application is for a special permit by a vendor
9 that manufactures or sells a product which cannot be effectively
10 presented to potential buyers without serving it with liquor or by a
11 manufacturer, importer, or distributor, or representative thereof, to
12 serve liquor without charge to delegates and guests at a convention
13 of a trade association composed of licensees of the board, when the
14 said liquor is served in a hospitality room or from a booth in a
15 board-approved suppliers' display room at the convention, and when
16 the liquor so served is for consumption in the said hospitality room
17 or display room during the convention, anything in this title to the
18 contrary notwithstanding. Any such spirituous liquor must be
19 purchased from a spirits retailer or distributor, and any such liquor
20 is subject to the taxes imposed by RCW 66.24.290 and 66.24.210;

21 (9) Where the application is for a special permit by a
22 manufacturer, importer, or distributor, or representative thereof, to
23 donate liquor for a reception, breakfast, luncheon, or dinner for
24 delegates and guests at a convention of a trade association composed
25 of licensees of the board, when the liquor so donated is for
26 consumption at the said reception, breakfast, luncheon, or dinner
27 during the convention, anything in this title to the contrary
28 notwithstanding. Any such spirituous liquor must be purchased from a
29 spirits retailer or distributor, and any such liquor is subject to
30 the taxes imposed by RCW 66.24.290 and 66.24.210;

31 (10) Where the application is for a special permit by a
32 manufacturer, importer, or distributor, or representative thereof, to
33 donate and/or serve liquor without charge to delegates and guests at
34 an international trade fair, show, or exposition held under the
35 auspices of a federal, state, or local governmental entity or
36 organized and promoted by a nonprofit organization, anything in this
37 title to the contrary notwithstanding. Any such spirituous liquor
38 must be purchased from a liquor spirits retailer or distributor, and
39 any such liquor is subject to the taxes imposed by RCW 66.24.290 and
40 66.24.210;

1 (11) Where the application is for an annual special permit by a
2 person operating a bed and breakfast lodging facility to donate or
3 serve wine or beer without charge to overnight guests of the facility
4 if the wine or beer is for consumption on the premises of the
5 facility. "Bed and breakfast lodging facility," as used in this
6 subsection, means a facility offering from one to eight lodging units
7 and breakfast to travelers and guests;

8 (12) Where the application is for a special permit to allow
9 tasting of alcohol by persons at least eighteen years of age under
10 the following circumstances:

11 (a) The application is from a community or technical college as
12 defined in RCW 28B.50.030;

13 (b) The person who is permitted to taste under this subsection is
14 enrolled as a student in a required or elective class that is part of
15 a culinary, wine technology, beer technology, or spirituous
16 technology-related degree program;

17 (c) The alcohol served to any person in the degree-related
18 programs under (b) of this subsection is tasted but not consumed for
19 the purposes of educational training as part of the class curriculum
20 with the approval of the educational provider;

21 (d) The service and tasting of alcoholic beverages is supervised
22 by a faculty or staff member of the educational provider who is
23 twenty-one years of age or older. The supervising faculty or staff
24 member shall possess a class 12 or 13 alcohol server permit under the
25 provisions of RCW 66.20.310;

26 (e) The enrolled student permitted to taste the alcoholic
27 beverages does not purchase the alcoholic beverages; and

28 (f) The permit fee for the special permit provided for in this
29 subsection (12) (~~shall~~) must be waived by the board;

30 (13) Where the application is for a special permit by a
31 distillery or craft distillery for an event not open to the general
32 public to be held or conducted at a specific place, including at the
33 licensed premise of the applying distillery or craft distillery, upon
34 a specific date for the purpose of tasting and selling spirits of its
35 own production. The distillery or craft distillery must obtain a
36 permit for a fee of ten dollars per event. An application for the
37 permit must be submitted for private banquet permits prior to the
38 event and, once issued, must be posted in a conspicuous place at the
39 premises for which the permit was issued during all times the permit

1 is in use. No licensee may receive more than twelve permits under
2 this subsection (13) each year.

3 NEW SECTION. **Sec. 4.** A new section is added to chapter 66.20
4 RCW to read as follows:

5 (1) The holder of a license to operate a distillery or craft
6 distillery issued under RCW 66.24.140 or 66.24.145 may accept orders
7 for spirits from, and deliver spirits to, customers if all of the
8 following conditions are met for each sale:

9 (a) Spirits are not used for resale;

10 (b) Spirits come directly from the distillery's or craft
11 distillery's possession prior to shipment or delivery. All
12 transactions are to be treated as if they were conducted in the
13 retail location of the distillery or craft distillery regardless of
14 how they are received or processed;

15 (c) Spirits may be ordered in person at a licensed location, by
16 mail, telephone, or internet, or by other similar methods; and

17 (d) Only a distillery or craft distillery licensee or a
18 licensee's direct employees may accept and process orders and
19 payments. A contractor may not do so on behalf of a distillery or
20 craft distillery licensee, except for transmittal of payment through
21 a third-party service. A third-party service may not solicit customer
22 business on behalf of a distillery or craft distillery licensee.

23 (2) All orders and payments must be fully processed before
24 spirits transfers ownership or, in the case of delivery, leaves a
25 licensed distillery's or craft distillery's possession.

26 (3) Payment methods include, but are not limited to: Cash, credit
27 or debit card, check or money order, electronic funds transfer, or an
28 existing prepaid account. An existing prepaid account may not have a
29 negative balance.

30 (4) To sell spirits via the internet, a new distillery or craft
31 distillery license applicant must request internet-sales privileges
32 in his or her application. An existing distillery or craft distillery
33 licensee must notify the board prior to beginning internet sales. A
34 corporate entity representing multiple licensees may notify the board
35 in a single letter on behalf of affiliated distillery or craft
36 distillery licensees, as long as the liquor license numbers of all
37 licensee locations utilizing internet sales privileges are clearly
38 identified.

1 (5) Delivery may be made only to a residence or business that has
2 an address recognized by the United States postal service; however,
3 the board may grant an exception to this rule at its discretion. A
4 residence includes a hotel room, a motel room, marina, or other
5 similar lodging that temporarily serves as a residence.

6 (6) Spirits may be delivered each day of the week between the
7 hours of 6:00 a.m. and 2:00 a.m. Delivery must be fully completed by
8 2:00 a.m.

9 (7) Under chapter 66.44 RCW, any person under twenty-one years of
10 age is prohibited from purchasing, delivering, or accepting delivery
11 of liquor.

12 (a) A delivery person must verify the age of the person accepting
13 delivery before handing over liquor.

14 (b) If no person twenty-one years of age or older is present to
15 accept a liquor order at the time of delivery, the liquor must be
16 returned.

17 (8) Delivery of liquor is prohibited to any person who shows
18 signs of intoxication.

19 (9)(a) Individual units of spirits must be factory sealed in
20 bottles. For the purposes of this subsection, "factory sealed" means
21 that a unit is in one hundred percent resalable condition, with all
22 manufacturer's seals intact.

23 (b) The outermost surface of a liquor package, delivered by a
24 third party, must have language stating that:

25 (i) The package contains liquor;

26 (ii) The recipient must be twenty-one years of age or older; and

27 (iii) Delivery to intoxicated persons is prohibited.

28 (10)(a) Records and files must be retained at the licensed
29 premises. Each delivery sales record must include the following:

30 (i) Name of the purchaser;

31 (ii) Name of the person who accepts delivery;

32 (iii) Street addresses of the purchaser and the delivery
33 location; and

34 (iv) Time and date of purchase and delivery.

35 (b) A private carrier must obtain the signature of the person who
36 receives liquor upon delivery.

37 (c) A sales record does not have to include the name of the
38 delivery person, but it is encouraged.

1 (11) Web site requirements. When selling over the internet, all
2 web site pages associated with the sale of liquor must display the
3 distillery or craft distillery licensee's registered trade name.

4 (12) A distillery or craft distillery licensee is accountable for
5 all deliveries of liquor made on its behalf.

6 (13) The board may impose administrative enforcement action upon
7 a licensee, or suspend or revoke a licensee's delivery privileges, or
8 any combination thereof, should a licensee violate any condition,
9 requirement, or restriction.

10 NEW SECTION. **Sec. 5.** A new section is added to chapter 66.24
11 RCW to read as follows:

12 (1) Any licensee authorized to sell at retail under this chapter
13 may sell gift certificates and gift cards intended to be exchanged
14 for consumer goods or services, including liquor sold by the
15 licensee. The licensee may also sell the gift certificates and gift
16 cards to or through a third-party retailer for resale to the public.
17 Gift certificates and gift cards may not be redeemed for alcohol by
18 persons under the age of twenty-one.

19 (2) For the purposes of this section, "gift certificate" and
20 "gift cards" have the same meaning as provided in RCW 19.240.010.

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