

ESB 5834 - H COMM AMD

By Committee on Commerce & Gaming

ADOPTED 04/11/2017

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 66.24
4 RCW to read as follows:

5 (1) There shall be a bonded and nonbonded spirits warehouse
6 license for spirits warehouses that authorizes the storage and
7 handling of bonded bulk spirits and, to the extent allowed under
8 federal law and under rules adopted by the board, bottled spirits and
9 the storage of tax-paid spirits not in bond. Under this license a
10 licensee may maintain a warehouse for the storage of federally
11 authorized spirits off the premises of a distillery for distillers
12 qualified under RCW 66.24.140, 66.24.145, or 66.24.150, or entities
13 otherwise licensed and permitted in this state, or bulk spirits
14 transferred in bond from out-of-state distilleries and, to the extent
15 allowed by federal law and under rules adopted by the board, bottled
16 spirits, if the storage of the federally authorized spirits
17 transferred into the state is for storage only and not for processing
18 or bottling in the bonded spirits warehouse. A licensee must
19 designate clearly in its license application to the board the
20 sections of the warehouse that are bonded and nonbonded with a
21 physical separation between such spaces. Only spirits in bond may be
22 stored in the bonded sections of the warehouse and only spirits that
23 have been removed from bond tax-paid may be stored in nonbonded areas
24 of the warehouse. The proprietor of the warehouse must maintain a
25 plan for tracking spirits being stored in the warehouse to ensure
26 compliance with relevant bonding and tax obligations.

27 (2) The board must adopt similar qualifications for a spirits
28 warehouse licensed under this section as required for obtaining a
29 distillery license as specified in RCW 66.24.140, 66.24.145, and
30 66.24.150. A licensee must be a sole proprietor, a partnership, a
31 limited liability company, a corporation, a port authority, a city, a

1 county, or any other public entity or subdivision of the state that
2 elects to license a bonded spirits warehouse as an agricultural or
3 economic development activity. One or more domestic distilleries or
4 manufacturers may operate as a partnership, corporation, business co-
5 op, cotenant, or agricultural co-op for the purpose of obtaining a
6 bonded and nonbonded spirits warehouse license or storing spirits in
7 the facility under a common management and oversight agreement free
8 of charge or for a fee.

9 (3) Spirits in bond may be removed from a bonded spirits
10 warehouse for the purpose of being:

11 (a) Exported from the state;

12 (b) Returned to a distillery or spirits warehouse licensed under
13 this section; or

14 (c) Transferred to a distillery, spirits warehouse licensed under
15 this section, or a licensed bottling or packaging facility.

16 (4) Bottled spirits that are being removed from a spirits
17 warehouse licensed under this section tax-paid may be:

18 (a) Transferred back to the distillery that produced them;

19 (b) Shipped to a licensed Washington spirits distributor;

20 (c) Shipped to a licensed Washington spirits retailer;

21 (d) Exported from the state; or

22 (e) Removed for direct shipping to a consumer pursuant to RCW
23 66.20.410.

24 (5) The ownership and operation of a spirits warehouse facility
25 licensed under this section may be by a person or entity other than
26 those described in this section acting in a commercial warehouse
27 management position under contract for such licensed persons or
28 entities on their behalf.

29 (6) A license applicant must demonstrate the right to have
30 warehoused spirits under a valid federal permit held by a licensee
31 who maintains ownership and title to the spirits while they are in
32 storage in the spirits warehouse licensed under this section. The fee
33 for this license is one hundred dollars per year.

34 (7) The board must adopt rules requiring a spirits warehouse
35 licensed under this section to be physically secure, zoned for the
36 intended use, and physically separated from any other use.

37 (8) The operator or licensee operating a spirits warehouse
38 licensed under this section must submit to the board a monthly report
39 of movement of spirits to and from a warehouse licensed under this
40 section in a form prescribed by the board. The board may adopt other

1 necessary procedures by which such warehouses are licensed and
2 regulated.

3 (9) The board may require a single annual permit valid for a full
4 calendar year issued to each licensee or entity warehousing spirits
5 under this section that allows for unlimited transfers to and from
6 such warehouse within that year. The fee for this permit is one
7 hundred dollars per year.

8 (10) Handling of bottled spirits that have been removed from bond
9 tax-paid and that reside in the spirits warehouse licensed under this
10 section includes packaging and repackaging services; bottle labeling
11 services; creating baskets or variety packs that may or may not
12 include nonspirits products; and picking, packing, and shipping
13 spirits orders on behalf of a licensed distillery direct to consumers
14 in accordance with RCW 66.20.410. A distillery contracting with the
15 operator of a spirits warehouse licensed under this section for
16 handling bottled spirits must comply with all applicable state and
17 federal laws and is responsible for financial transactions in direct
18 to consumer shipping activities.

19 **Sec. 2.** RCW 66.24.640 and 2012 c 2 s 206 are each amended to
20 read as follows:

21 Any distiller licensed under this title may act as a retailer
22 and/or distributor to retailers selling for consumption on or off the
23 licensed premises of spirits of its own production, and any
24 manufacturer, importer, or bottler of spirits holding a certificate
25 of approval may act as a distributor of spirits it is entitled to
26 import into the state under such certificate. The board must by rule
27 provide for issuance of certificates of approval to spirits
28 suppliers. An industry member operating as a distributor and/or
29 retailer under this section must comply with the applicable laws and
30 rules relating to distributors and/or retailers, except that an
31 industry member operating as a distributor under this section may
32 maintain a warehouse off the distillery premises for the distribution
33 of bottled spirits of its own production to spirits retailers within
34 the state and for bottled foreign-made spirits that such distillery
35 is entitled to distribute under this title, if the warehouse is
36 within the United States and has been approved by the board."

EFFECT: (1) Changes the bonded spirits warehouse license to a
bonded and nonbonded spirits warehouse license that authorizes the

storage and handling of bonded bulk spirits and, to the extent authorized under federal law and liquor and cannabis board rules, bottled spirits and the storage of tax-paid spirits not in bond.

(2) Requires a licensee to designate clearly in its license application the sections of the warehouse that are bonded and nonbonded with a physical separation between the spaces. Provides that only spirits in bond may be stored in the bonded sections of the warehouse and only spirits that have been removed from bond tax-paid may be stored in nonbonded areas of the warehouse. Requires the proprietor of the spirits warehouse to maintain a plan for tracking spirits being stored in the warehouse to ensure compliance with relevant bonding and tax obligations.

(3) Establishes circumstances under which bottled spirits, the taxes on which have been paid, may be removed from a spirits warehouse and transferred to another entity, including authorizing removing such bottled spirits for direct shipping to consumers in accordance with existing law for direct shipments of spirits to consumers by distilleries.

(4) Provides that the authorization for handling of bottled spirits that have been removed from bond tax paid and that reside in the spirits warehouse includes: (a) Packaging and repackaging services; (b) bottle labeling services; (c) creating baskets or variety packs that may or may not include nonspirits products; and (d) picking, packing, and shipping spirits orders on behalf of a licensed distillery direct to consumers.

(5) Establishes that the warehouse that an industry member operating as a distributor and/or retailer may currently maintain off a distillery premises for the distribution of spirits of its own production also may be used for the distribution of bottled foreign-made spirits that such distillery is entitled to distribute under existing law.

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