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**Commerce & Gaming Committee**

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**HB 1020**

**Brief Description:** Allowing beer and/or wine specialty shop licensees to sell products made by distillers that produce sixty thousand gallons or less of spirits per year.

**Sponsors:** Representatives Johnson, Fey, Calder, Cody, Appleton, Barkis and Haler.

**Brief Summary of Bill**

- Authorizes a beer and/or wine specialty shop licensee to sell spirits produced by a state licensed distillery provided: (1) the licensee maintains an inventory of beer and/or wine worth at least \$3,000 at wholesale; (2) operates out of licensed premises of less than 10,000 square feet; (3) the licensee obtained its license prior to January 1, 2016; and (4) the distillery producing the spirits has an annual production of 60,000 gallons or less.
- Requires a beer and/or wine specialty shop licensee who obtains the spirits sales endorsement to pay a license issuance fee of 17 percent of all spirits sales revenues.
- Requires a beer and/or wine specialty shop licensee receiving the spirits sales endorsement to provide specified training to managers and employees involved in spirits sales.
- Authorizes a doubling of penalties for licensees with a spirits sales endorsement for legal or regulatory violations related to spirits sales.

**Hearing Date:** 1/12/17

**Staff:** Thamas Osborn (786-7129).

**Background:**

Introduction.

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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 Liquor and Cannabis Board (LCB) issues various types of commercial liquor licenses, including those for beer and/or wine specialty shops, wineries, microbreweries, domestic breweries, restaurants, and nightclubs.

In certain circumstances, the LCB may impose conditions or restrictions on a license, or include special endorsements authorizing the sale of specified alcoholic beverages subject to specified conditions. All conditions, restrictions, and endorsements issued by the LCB must be listed on the face of the license along with the trade name, address, and expiration date of the license. A licensee must post its license in a conspicuous place on the premises.

#### Beer and/or Wine Specialty Shop License.

A beer and/or wine specialty shop license authorizes the shop to sell beer, strong beer, and/or wine at retail in bottles, cans, and original containers, but not to be consumed upon the premises where sold. Licensees obtaining a written endorsement from the LCB may also sell malt liquor in kegs or other containers capable of holding four gallons or more of liquid. Such licensees may provide, free or for a charge, single-serving samples of two ounces or less to customers for the purpose of sales promotion. Upon approval by the LCB, the beer and/or wine specialty shop licensee that exceeds 50 percent beer and/or wine sales may also receive an endorsement to permit the sale of beer to a purchaser in a sanitary container brought to the premises by the purchaser, or provided by the licensee or manufacturer, and filled at the tap by the licensee at the time of sale. The annual fee for the beer and/or wine specialty shop license is \$100 for each store.

#### Spirits Retail License Issuance Fee.

The holder of a spirits retail license must pay to the LCB a license issuance fee equivalent to 17 percent of spirit sales revenues collected under the license. The calculation of this fee is exclusive of taxes collected by the shop on such sales.

#### Craft Distillery Regulations.

As the result of legislation passed during the 2014 session, the annual spirits production limit for craft distillers was increased from 60,000 gallons to 150,000 gallons. Accordingly, to qualify as a craft distiller, a distiller must produce no more than 150,000 gallons of spirits annually, with at least half of the raw materials used in production grown in Washington.

#### **Summary of Bill:**

A beer and/or wine specialty shop licensee (licensee) may receive a licensing endorsement from the LCB to sell spirits produced by a state licensed distillery provided: (1) the licensee maintains an inventory of beer and/or wine worth at least \$3,000 at wholesale; (2) operates out of licensed premises of less than 10,000 square feet; (3) the licensee obtained its license prior to January 1, 2016; and (4) the distillery producing the spirits has an annual production of 60,000 gallons or less.

A licensee receiving a license endorsement authorizing spirits sales is also subject to additional requirements and conditions. Specifically the licensee:

- Must pay a license issuance fee of 17 percent of all spirits sales revenues. However, sales of spirits on which a license issuance fee has already been incurred under a spirits retail license [per RCW 66.24.630(4)(a)] shall not be included in the calculation of the license issuance fee imposed under this act;

- Must provide specified training to managers and employees involved in spirits sales; and
- Is subject to a doubling of penalties for legal or regulatory violations related to spirits sales.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.