

# HOUSE BILL REPORT

## SHB 1038

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**As Passed House:**  
February 28, 2017

**Title:** An act relating to increasing the number of tasting rooms allowed under a domestic winery license.

**Brief Description:** Increasing the number of tasting rooms allowed under a domestic winery license.

**Sponsors:** House Committee on Commerce & Gaming (originally sponsored by Representatives Condotta, Stanford, Johnson, Vick, Haler and Sawyer).

**Brief History:**

**Committee Activity:**

Commerce & Gaming: 1/12/17, 1/19/17 [DPS].

**Floor Activity:**

Passed House: 2/28/17, 94-4.

**Brief Summary of Substitute Bill**

- Increases, from two to four, the number of separate locations from which a domestic winery may serve samples of its own products, sell its own wine at retail, and sell its own wine in kegs or sanitary containers.
- Requires a report each biennium on the number of new domestic wineries, which sunsets in 2023.

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### HOUSE COMMITTEE ON COMMERCE & GAMING

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Sawyer, Chair; Kloba, Vice Chair; Condotta, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Barkis, Blake, Farrell, Kirby, Ryu and Young.

**Staff:** Peter Clodfelter (786-7127).

**Background:**

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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.*

### Domestic Winery License.

A domestic winery license, issued by the Liquor & Cannabis Board (LCB), authorizes the manufacture of wine in the state. Subject to restrictions, a domestic winery may also act as a distributor and retailer of wine of its own production while complying with the laws applicable to wine distributors and retailers, and take orders and accept payment for wines of its own production during an event held by a nonprofit holding a special occasion license. Also, a domestic winery may qualify for an endorsement to sell wine of its own production at retail for off-premises consumption at a qualifying farmers' market, subject to restrictions.

### Separate Locations for Samples and Sales.

Separate from a domestic winery's production or manufacturing sites, a domestic winery may operate up to two additional locations from which the domestic winery may serve samples of its own products, sell wine of its own production at retail, and sell for off-premises consumption wines of its own production in kegs or sanitary containers brought to the premises by the purchaser or furnished by the domestic winery and filled at the tap at the time of sale. An endorsement to sell wine of a domestic winery's own production at retail for off-premise consumption at a qualifying farmers' market does not count toward those two separate locations allotted to a domestic winery.

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

#### Separate Locations for Samples and Sales.

The number of locations separate from a domestic winery's production or manufacturing sites from which a domestic winery may serve samples of its own products, sell wine of its own production at retail, and sell for off-premises consumption wines of its own production in kegs or sanitary containers brought to the premises by the purchaser or furnished by the domestic winery and filled at the tap at the time of sale is increased from two to four.

The LCB must submit a report to the House Committee on Commerce and Gaming regarding the number of new domestic wineries each biennium. The first report is due on June 30, 2019, and a report is due every two years thereafter through June 30, 2023.

**Appropriation:** None.

**Fiscal Note:** Available.

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

### **Staff Summary of Public Testimony:**

(In support) The bill tracks the evolution of the wine industry in Washington and would help small wineries be profitable and promote tourism in Washington. Cheap beer and wine from large producers is readily available in convenience stores and grocery stores across the state, which limits shelf space for local wine produced by small wineries. Many local wineries survive only because of sales of wine directly through the winery and the winery's tasting rooms. Currently, tasting rooms are clustered in specific areas of the state like in Chelan, Walla Walla, and Woodinville, and the bill would assist smaller wineries in accessing more

areas of the state and stimulate those local economies and add jobs. Each tasting room often has several full-time and part-time employees. New tasting rooms in urban areas, such as Seattle's Pioneer Square, show how tasting rooms can revitalize an area. Additionally, local zoning ordinances may effectively prohibit wineries from operating the two tasting rooms that wineries are currently allotted in state law, limiting wineries to one tasting room at a location separate from the winery's production facilities. The bill does not expand consumption of alcohol, but keeps existing consumption local. In 2016 a version of this bill passed out of committee and the House with significant support.

(Opposed) Please consider the cumulative effects that bills like this have in expanding access to alcohol and the promotion of alcohol, and further normalizing alcohol consumption. This continual expansion of access to and promotion of alcohol is detrimental to youth and people in alcohol recovery, who have zero tolerance for alcohol. Law enforcement shares this concern. Consider the community norms related to alcohol consumption that bills like this embrace. When the Legislature allows increased access to and promotion of alcohol by one segment of the liquor industry, then soon the other segments of the liquor industry ask for the same authorization; it is this continual expansion of access to alcohol and the normalization of alcohol consumption that is troubling. The LCB has limited resources and this continual expansion of access to and promotion of alcohol could strain the LCB's resources.

**Persons Testifying:** (In support) Representative Condotta, prime sponsor; Paul Beveridge and John Bell, Family Wineries of Washington State; and Josh McDonald, Washington Wine Institute.

(Opposed) Seth Dawson, Washington Association for Substance Abuse Prevention.

**Persons Signed In To Testify But Not Testifying:** None.