
Commerce & Gaming Committee

HB 1119

Brief Description: Equalizing differences in the distillery and winery industries by authorizing certain sales of spirits carrying a private label exclusive to a restaurant or private club that is a licensed spirits retailer.

Sponsors: Representatives Peterson, Condotta and Sawyer.

Brief Summary of Bill

- Authorizes craft distilleries to produce and sell private-label spirits unique to a restaurant or private club.
- Authorizes spirits retail licensees to sell private-label spirits in original containers that are unique to a restaurant or private club.

Hearing Date: 1/19/17

Staff: Peter Clodfelter (786-7127).

Background:

The Tied House Laws and Private Labels.

Washington's "tied house" laws regulate the relationship between liquor manufacturers, distributors (industry members), and retailers. In general, tied house laws are meant to regulate how liquor is marketed and prevent the vertical integration of the three tiers of the liquor industry. The general rule is that no industry member may advance, and no retailer may receive, monies or monies' worth under an agreement or by means of any other business practice or arrangement.

There are numerous exceptions to the tied house laws. One exception allows wineries and breweries to partner with retailers to create private-label wine and beer for restaurants, private clubs, grocery stores, and beer and/or wine specialty shops. The producers may be identified on the private labels.

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.

Craft Distilleries.

Distillers producing 150,000 gallons or less of spirits with at least half of the raw materials used in the production grown in Washington are considered craft distilleries and pay a reduced license fee. Craft distilleries may sell spirits of their own production for consumption off the premises, provided that the craft distillery complies with applicable laws and rules relating to retailers. Craft distilleries may also contract distilled spirits for, and sell contract distilled spirits to, holders of distillers or manufacturers' licenses, or for export. Craft distilleries may additionally apply for an endorsement to sell spirits of the craft distillery's own production at retail for off-premises consumption at a qualifying farmers' market, subject to restrictions.

Spirits Retail Licensees.

Businesses licensed by the Liquor & Cannabis Board (LCB) to sell spirits at the retail level for off-premises consumption are designated as "spirits retail licensees." Such licensees generally fall into two categories: (1) grocery stores and other large retail establishments encompassing at least 10,000 feet of retail space; and (2) smaller liquor stores that are either former state-owned liquor stores or former contract liquor stores that sold liquor on behalf of the state pursuant to contracts with the LCB prior to the passage of Initiative Measure No. 1183 in 2011. A spirits retail license authorizes the sale of spirits in original containers to consumers for consumption off the licensed premises and to permit holders, and the sale of spirits in original containers to retailers licensed to sell spirits for consumption on the premises, for resale at their licensed premises according to the terms of their licenses, although no single sale may exceed 24 liters, unless the sale is by a licensee that was a contract liquor store manager of a contract liquor store at the location of its spirits retail licensed premises from which it makes such sales. A spirits retail license also authorizes the export of spirits.

Summary of Bill:

The Tied House Laws and Private Labels.

It is provided that craft distilleries are not prohibited from identifying the producers on private labels authorized pursuant to the act.

Craft Distilleries.

Craft distilleries are authorized to produce and sell spirits carrying a private label exclusive to a restaurant or private club that holds a license to sell spirits for on-premises consumption in drinks by the glass.

Spirits Retail Licensees.

Spirits retail licensees are authorized to sell spirits in original containers carrying a private label exclusive to a restaurant or private club that holds a license to sell spirits for on-premises consumption in drinks by the glass.

Appropriation: None.

Fiscal Note: Available.

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