
Commerce & Gaming Committee

HB 1599

Brief Description: Authorizing licensed spirits and wine distributors to sell spirits and wine products to their employees in certain circumstances.

Sponsors: Representatives Farrell, Vick, Sawyer and Fey.

Brief Summary of Bill

- Authorizes licensed spirits distributors to sell spirits that cannot reasonably be sold in the normal course of business, directly to full-time employees of the distributor, subject to restrictions.
- Authorizes licensed wine distributors to sell wine that cannot reasonably be sold in the normal course of business, directly to full-time employees of the distributor, subject to restrictions.

Hearing Date: 2/2/17

Staff: Peter Clodfelter (786-7127).

Background:

Licensed Spirits Distributors.

Spirits distributors are licensed by the Liquor & Cannabis Board (LCB). Licensed spirits retailers may sell spirits purchased from distillers, manufacturers, other spirits distributors, importers, and others. Sales may be made to spirits retailers that sell spirits for on- or off-premises consumption. Spirits may also be exported. Spirits distributors must pay to the LCB a spirits distributor license issuance fee, which is deposited into the Liquor Revolving Fund. For the first 27 months of licensure, the fee is 10 percent of the total revenue from all spirits sales made during the month for which the fee is due. In the twenty-eighth month of licensure and every month after that, the fee is 5 percent of the total revenue from all spirits sales made during the month for which the fee is due. Spirits sales to on-premises licensees are subject to a 13.7 percent sales tax and a \$2.4408 per liter tax. Such sales are also subject to the state business and occupation tax (B&O tax).

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.

Licensed Wine Distributors.

Wine distributors are licensed by the LCB. Licensed wine distributors may sell wine purchased from licensed Washington wineries, wine certificate of approval holders, licensed wine importers, or suppliers of foreign wine located outside of the United States, to licensed wine retailers and other wine distributors. Wine may also be exported. The license fee is \$660 annually for each distributing unit. Although generally wholesale sales of wine are subject to a liter tax based on the gross proceeds of the sale, sales of beverages solely for immediate consumption at the seller's place of business are exempt from the liter tax. Sales of wine by a wine distributor to a retail licensee are subject to the B&O tax.

Summary of Bill:

Licensed Spirits Distributors.

Licensed spirits distributors may sell spirits directly to full-time employees of the spirits distributor if the spirits cannot reasonably be sold in the normal course of business, such as because of damage to the label on individual bottles, and subject to the following requirements:

- The spirits may not be sold for less than the licensed spirits distributor's cost of acquisition.
- The sale is subject to the spirits distributor license issuance fee, as well as the same taxes that would apply if the sale were made to a person holding a spirits, beer, and wine restaurant license or other license authorizing sales of spirits for on-premises consumption.
- The spirits may be sold only to a person who has been employed by the spirits distributor for 90 or more days and who is 21 years of age or older.
- The person purchasing the spirits must use the spirits for personal use and may not sell any of the purchased spirits by the drink or otherwise to a third person.

Licensed Wine Distributors.

Licensed wine distributors may sell wine directly to full-time employees of the wine distributor if the wine cannot reasonably be sold in the normal course of business, such as because of damage to the label on individual bottles, and subject to the following requirements:

- The wine may not be sold for less than wine distributor's cost of acquisition.
- The sale is subject to the same taxes that would apply if the sale were made to a person holding a spirits, beer, and wine restaurant license or another retail license authorizing sales of wine for on-premises consumption.
- The wine may be sold only to a person who has been employed by the wine distributor for 90 or more days and who is 21 years of age or older.
- The person purchasing the wine must use the wine for personal use and may not sell any of the purchased wine by the glass or otherwise to a third person.

Appropriation: None.

Fiscal Note: Available.

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