
Commerce & Gaming Committee

HB 2000

Brief Description: Equalizing differences in the distillery and winery industries by authorizing certain private label spirits.

Sponsors: Representative Peterson.

Brief Summary of Bill

- Authorizes distillers and craft distilleries to produce and sell spirits carrying a private label exclusive to a restaurant, private club, or off-premises spirits retail licensee.
- Authorizes off-premises spirits retail licensees to sell spirits carrying the spirits retail licensee's own private label or a private label unique to a restaurant or private club.

Hearing Date: 2/13/17

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.

An exception exists for the wine and beer industry that authorizes wineries, breweries, certificate of approval holders, and retail licensees to identify the producers on certain private-label beer and wine. Generally speaking, a private label is where the label on a bottle of alcohol carries the brand name of the liquor retailer selling the alcohol, such as a restaurant or grocery store, but is produced by an alcohol producer such as a winery or brewery.

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.

Distillers and Craft Distilleries.

The Liquor and Cannabis Board licenses distillers, which produce, bottle, and sell spirits. 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. Distillers and craft distilleries may sell spirits of their own production for consumption off the premises, provided that the distiller or craft distillery complies with applicable laws and rules relating to retailers. Distillers and craft distilleries may also contract distilled spirits for, and sell contract distilled spirits to, holders of distillers or manufacturers' licenses, or for export. Distillers and craft distilleries may additionally apply for an endorsement to sell spirits of the distiller or 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 and 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.

Consistent with the tied-house laws, distillers, craft distilleries, and retail licensees may identify the producers on spirits carrying a private label exclusive to a restaurant, private club, or spirits retail licensee.

An erroneous reference is corrected.

Distillers and Craft Distilleries.

Distillers and craft distilleries are authorized to produce and sell spirits carrying a private label exclusive to a restaurant or private club with a liquor license, or a spirits retail licensee.

Spirits Retail Licensees.

Spirits retail licensees may sell, in original containers, spirits carrying the spirits retail licensee's own private label or a private label exclusive to a restaurant or private club with a liquor license.

Appropriation: None.

Fiscal Note: Not requested.

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