

HOUSE BILL REPORT

HB 2000

As Reported by House Committee On:
Commerce & Gaming

Title: An act relating to equalizing differences in the distillery and winery industries by authorizing certain private label spirits.

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

Sponsors: Representative Peterson.

Brief History:

Committee Activity:

Commerce & Gaming: 2/13/17, 2/14/17 [DPS].

Brief Summary of Substitute Bill

- Authorizes distillers, craft distilleries, and manufacturers of spirits to produce and sell certain private label spirits.
- Establishes that spirits may be produced, distributed, and sold under a private label to the same extent as wine or beer.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Sawyer, Chair; Kloba, Vice Chair; Condotta, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Barkis, Blake, Farrell, Jenkin, Kirby, Ryu and Young.

Staff: Peter Clodfelter (786-7127).

Background:

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

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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.

The Liquor and Cannabis Board (LCB) 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. Another license category, a manufacturer's license, also authorizes the production and sale of spirits.

Businesses licensed by the 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 Substitute Bill:

Consistent with the tied-house laws, distillers, craft distilleries, and manufacturers of spirits may identify the producers on spirits carrying a private label, and may produce and sell spirits carrying a private label exclusive to a restaurant, private club, or spirits retail licensee. It is established that spirits may be produced, distributed, and sold under a private label to the same extent as wine and beer: spirits, wine, or beer private label items may be produced, distributed, and sold by an person otherwise properly licensed to produce, distribute, or sell spirits, wine, or beer.

Several erroneous references are corrected or eliminated.

Substitute Bill Compared to Original Bill:

Manufacturers of spirits are authorized to produce and sell certain private label spirits and to identify the producers on private labels, to the same extent as distillers and craft distilleries. It is established that spirits may be produced, distributed, and sold under a private label to the same extent as wine and beer: spirits, wine, or beer private label items may be produced, distributed, or sold by any person otherwise properly licensed to produce, distribute, or sell spirits, wine, or beer.

Several erroneous references are eliminated.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) There is confusion about what restrictions currently apply to private label spirits sales, and the bill will solve the confusion. Stakeholders support the bill and have worked with the LCB to clarify this issue. Stakeholders appreciate the sponsor and the LCB's work on the bill.

(Opposed) None.

Persons Testifying: Holly Chisa, NorthWest Grocery Association; Steven Main, Distillers Way; Morgan Hickel, Washington Hospitality Association; Carolyn Logue, Washington Retail Association; and Amy Brackenbury, Washington Food Industry Association.

Persons Signed In To Testify But Not Testifying: None.