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**Commerce & Gaming Committee**

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**ESB 5834**

**Brief Description:** Concerning the licensing of bonded spirits warehouses.

**Sponsors:** Senator Baumgartner.

**Brief Summary of Engrossed Bill**

- Establishes a license for bonded spirits warehouses for the storage and handling of bulk or barreled spirits.
- Authorizes the Liquor and Cannabis Board to establish a permit that allows for unlimited transfers of bulk or barreled spirits to and from licensed bonded spirits warehouses.

**Hearing Date:**

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

**Background:**

A distiller may act as a retailer of spirits of the distiller's own production, and may act as a distributor of spirits of the distiller's own production to retailers selling for consumption on or off the licensed premises. Additionally, any manufacturer, importer, or bottler of spirits holding a certificate of approval may act as a distributor of spirits it is entitled to import into the state. By rule, the Liquor and Cannabis Board (LCB) provides for issuance of certificates of approval to spirits suppliers.

An industry member operating as a distributor or retailer must comply with the applicable laws and rules relating to distributors or retailers, except that an industry member operating as a distributor may maintain a warehouse off the distillery premises for the distribution of spirits of its own production to spirits retailers within the state, if the warehouse is within the United States and has been approved by the LCB.

**Summary of Bill:**

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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.*

A license for bonded spirits warehouses is established. A bonded spirits warehouse license, issued by the Liquor and Cannabis Board (LCB), authorizes the storage and handling of bulk or barreled spirits. The license fee is \$100 per year. A license holder may maintain a warehouse for the storage of bulk or barreled spirits off the premises of a distillery or entity otherwise licensed and permitted in the state. Bulk or barreled spirits may be transferred in bond from out-of-state distilleries, so long as the storage of the bulk or barreled spirits transferred into the state is for storage only and not for processing or bottling in the bonded spirits warehouse.

The LCB must adopt similar qualifications for a bonded spirits warehouse license as is required for obtaining a distiller, craft distillery, or manufacturer's license. To qualify for a license, an applicant must be a sole proprietor, partnership, limited liability company, corporation, port authority, city, county, or any other public entity or subdivision of the state that elects to license a bonded spirits warehouse as an agricultural or economic development activity. One or more domestic distilleries or manufacturers may operate as a partnership, corporation, business co-op, cotenant, or agricultural co-op for the purposes of obtaining a bonded spirits warehouse license or storing spirits in the facility under a common management and oversight agreement free of charge or for a fee. A bonded spirits warehouse may be owned and operated by a person or entity acting in a commercial warehouse management position on behalf of an authorized licensee.

Spirits may be removed from a bonded spirits warehouse for purposes of being exported from the state, returned to a distillery or bonded spirits warehouse, or transferred to a distillery, bonded spirits warehouse, or bottling or packaging facility. Warehousing of spirits is prohibited other than by the following entities: (1) a licensed domestic distillery; (2) a bonded spirits warehouse licensee; (3) a licensed Washington spirits distributor; (4) a licensed Washington spirits importer; (5) on- and off-premises spirits retailers that are utilizing warehouses registered with the LCB; and (6) spirits certificate of approval holders.

The LCB must adopt rules requiring a bonded spirits warehouse to be physically secure, zoned for the intended use, and physically separated from any other use. The operator or licensee operating a bonded spirits warehouse must submit to the LCB a monthly report of movement of bulk or barreled spirits to and from a bonded spirits warehouse in a form prescribed by the LCB. The LCB may adopt other necessary procedures by which bonded spirits warehouses are licensed and regulated. The LCB may require an annual permit of each licensee or entity warehousing spirits in a bonded spirits warehouse that allows for unlimited transfers to and from the warehouse. The permit fee is \$100 per year.

It is specified that the spirits that may currently be maintained at a warehouse off a distillery premises by an industry member acting as a distributor of spirits of its own production to spirits retailers within the state are bottled spirits.

**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.