

SENATE BILL REPORT

SB 5589

As Reported by Senate Committee On:
Commerce, Labor & Sports, February 15, 2017

Title: An act relating to distillery promotional items and spirit sample sales.

Brief Description: Concerning distillery promotional items and spirit sample sales.

Sponsors: Senators Keiser and Baumgartner.

Brief History:

Committee Activity: Commerce, Labor & Sports: 2/13/17, 2/15/17 [DPS, w/oRec].

Brief Summary of Substitute Bill

- Allows any licensed distiller to charge for spirits samples with nonalcoholic mixers, mixers with alcohol of the distiller's own production, water, and/or ice; each person is limited to two ounces of spirits per person, per day.
- Authorizes distilleries and craft distilleries to be identified on private labels created for restaurants, private clubs, grocery stores, and beer and/or wine specialty shops.

SENATE COMMITTEE ON COMMERCE, LABOR & SPORTS

Majority Report: That Substitute Senate Bill No. 5589 be substituted therefor, and the substitute bill do pass.

Signed by Senators Baumgartner, Chair; Braun, Vice Chair; Keiser, Ranking Minority Member; Conway, King, Rossi, Saldaña and Wilson.

Minority Report: That it be referred without recommendation.

Signed by Senator Hasegawa.

Staff: Richard Rodger (786-7461)

Background: Spirits Sampling. Any licensed distiller may provide spirits samples, of their own production, to persons on the premises. The samples may be free or for a charge and are limited one-half ounce or less, with a maximum total per person per day of two ounces.

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.

Spirits samples may be adulterated with nonalcoholic mixers, mixers with alcohol of the distiller's own production, water, and/or ice. Every person who participates in the service of samples must obtain a Class 12 alcohol server permit.

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.

Summary of Bill (First Substitute): Spirits Sampling. Any licensed distiller may also provide for a charge, spirits samples of their own production with nonalcoholic mixers, mixers with alcohol of the distiller's own production, water, and/or ice. Each person is limited to two ounces of spirits per person, per day whether provided for free or for a charge. The samples must served to persons on the premises by individuals holding a Class 12 alcohol server permit.

Tied House Laws and Private Labels. Producers of spirits from distilleries and craft distilleries may also be identified on private labels created for restaurants, private clubs, grocery stores, and beer and/or wine specialty shops.

EFFECT OF CHANGES MADE BY COMMERCE, LABOR & SPORTS COMMITTEE (First Substitute):

- Limits the spirits samples to two ounces of spirits per person, per day.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill will allow spirits distillers to charge for samples of their products, using the types of mixers and other alcohols, that the customers may want to drink at home. The blending of alcohols will generally involve flavored vodkas. It also allows us to serve samples of gin with tonic or vermouth. We estimate that the bill will help us increase our tasting room revenues by 15 to 30 percent. All our staff will still be required to have a Class 12 server's permit. Distillers should also have the same rights as breweries and wineries to sell products with private labels.

Persons Testifying: PRO: Senator Karen Keiser, Prime Sponsor; Jim Hedrick, Washington Distillers Guild; A.J. Temple, Temple Distilling Company.

Persons Signed In To Testify But Not Testifying: No one.