

SENATE BILL REPORT

SB 6275

As of January 16, 2018

Title: An act relating to authorizing craft distilleries to ship or deliver a customer's order to certain willing businesses that are licensed to sell spirits at retail.

Brief Description: Authorizing craft distilleries to ship or deliver customer orders to certain retail licensees.

Sponsors: Senators Takko, Mullet and Hunt.

Brief History:

Committee Activity: Labor & Commerce:

Brief Summary of Bill

- Authorizes craft distilleries to assist a customer in making arrangements to have their purchases shipped or delivered to a willing spirits retailer located near the customer's residence.

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Richard Rodger (786-7461)

Background: To qualify as a craft distillery, the distiller must produce no more than 150,000 gallons of spirits, with at least half of the raw materials used in the production grown in Washington.

A licensed distillery or craft distillery may deliver or ship spirits of its own production to customers within the state provided: (1) the spirits are not for resale; (2) they are shipped or delivered directly from the distillery's possession; and (3) only the distillery accepts and processes orders or payments. Spirits may be ordered in person, online, or by other similar methods, and transactions are treated as if they were conducted in the distillery's retail location. Various other requirements apply to the delivery and shipping of spirits. It is reported that the craft distilleries have had difficulty finding a shipping company that is willing to make these shipments.

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 retail licensees are required to pay an annual license issuance fee to the LCB equivalent to 17 percent of all spirit sales revenues. There are several exemptions to the 17 percent fee, including: (1) certain spirits sales made by the former state liquor stores and former contract liquor stores; and (2) craft distilleries that engage in retail sales of spirits for off-premises consumption.

Washington's "tied house" laws regulate the relationship between liquor manufacturers, distributors, 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.

Summary of Bill: A craft distillery may assist a customer in making arrangements to have their purchases shipped or delivered to a willing spirits retailer located near the customer's residence. The shipment or delivery may be made to any willing business holding a: (1) combination spirits, beer, and wine license; (2) specialty shop license to sell spirits; or (3) spirits retailer license, including a grocery store license to sell spirits.

The craft distiller may charge the customer a fee for the cost of the shipping or delivery, as long as it does not exceed the actual costs of shipping. The purchased items must be shipped or delivered in a sealed package, with the identity of the customer and the contents clearly identified on the package label. An authorized retail licensee who agrees to accept a customer's spirits order may charge the customer a handling fee, in an amount as agreed upon by the customer and retailer. The retailer may not open the customer's package or commingle the contents with the retailer's inventory. Craft distillers and the retail licensees who facilitate the shipment or delivery of a customer's order are prohibited from exchanging any money or moneys' worth between each other.

A retail licensee who is willing to accept the delivery of a customer's spirits order may notify the Liquor and Cannabis Board (LCB) of their willingness to accept shipments or deliveries and provide the board with a statement of its fee for this service. The LCB must maintain on its website a list of all authorized retail licensees that have notified the board of their willingness to accept shipments or deliveries and include the licensee's statement of fees for the service.

The LCB may adopt rules to implement the shipping and delivery provisions.

The products shipped or delivered to a spirits retailer on behalf of a craft distillery's customer are exempt from the 17 percent license issuance fee; however, the exemption does not apply if the spirits retailer stocks the product or has it in its inventory. The shipping and handling transactions allowed under the bill are specifically authorized under Washington's tied house laws.

Appropriation: None.

Fiscal Note: Requested on January 11, 2018.

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

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