

SENATE BILL REPORT

SB 6444

As of January 29, 2018

Title: An act relating to alcohol sales by distributors.

Brief Description: Modifying alcohol sales by distributors.

Sponsors: Senator Cleveland.

Brief History:

Committee Activity: Labor & Commerce: 1/29/18.

Brief Summary of Bill

- Authorizes wine distributors to sell cider to their own full-time employees under specified conditions.
- Authorizes beer distributors to sell malt beverages to their own full-time employees under specified conditions.
- Authorizes both beer and wine distributors to sell their respective products to consumers, for off-premises consumption, under specified conditions.

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Richard Rodger (786-7461)

Background: Spirits Distributors. Spirits distributors are licensed by the Liquor and Cannabis Board (LCB). Licensed spirits distributors may sell spirits purchased from a domestic distiller, manufacturer, supplier, other spirits distributor, importer, and others. Sales may be made to spirits retailers that sell spirits for on or off-premises consumption.

Wine Distributors. Wine distributors are licensed by the LCB. Licensed wine distributors may sell wine purchased from licensed Washington wineries, wine certificate of approval holders, licensed wine importers, or suppliers of foreign wine located outside of the United States. The wine sales may be made to licensed wine retailers and other wine distributors.

Beer Distributors. Beer distributors are licensed by the LCB. Beer distributors may sell beer and strong beer, purchased from licensed Washington breweries, microbreweries, certificate

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of approval holders, licensed beer importers, or suppliers of foreign beer located outside of the United States. The beer sales may be made to licensed beer retailers and other beer distributors.

Sales of Wine and Spirits to Distributors' Employees. In 2017, the Legislature authorized both spirits distributors and wine distributors to sell spirits or wine directly to their respective full-time employees under certain conditions. The conditions include that the:

- products cannot reasonably be sold in the normal course of business, such as because of damage to the label on individual bottles;
- products may not be sold for less than the distributor's cost of acquisition;
- sales are subject to the same taxes that a consumer would pay at a retail sale;
- products may be sold only to a person who has been employed by the distributor for 90 or more days and who is 21 years of age or older; and
- person purchasing the products must use the spirits for personal use and may not sell any of the purchased spirits by the drink or otherwise to a third person.

Summary of Bill: Wine Distributors. A wine distributor may sell cider to their employees under the same conditions imposed on the sale of wine to their employees.

A wine distributor may sell wine and cider to consumers for off-premises consumption, with the following limitations:

- sales are limited to up to 12 days per year;
- it must be sold in quantities of not less than four gallons and not more than 55 gallons;
- the purpose is to dispose of unsold products or damaged products;
- no person purchasing wine or cider may sell such product to a third person or use for any purpose other than personal use; and
- sales are subject to the same taxes that a consumer would pay at a retail sale.

Beer Distributors. A beer distributor may sell malt beverages to their own full-time employees under the following conditions:

- the beverage cannot reasonably be sold in the normal course of business, such as bottles with damaged labels, were seasonal items, or have expirations dates that expire within 30 days;
- may not be sold for less than distributor's cost of acquisition;
- sales are subject to the same taxes that a consumer would pay at a retail sale;
- may be sold only to a person who has been employed by the wine distributor for 90 or more days and who is 21 or older; and
- the person purchasing the beverages must use the product for personal use.

A beer distributor may sell malt beverages to consumers for off-premises consumption, with the following limitations:

- sales are limited to up to 12 days per year;
- the beverage must not contain more than 9 percent alcohol by volume;
- sales must be in quantities not less than 4 gallons;
- the sales are for the purpose of disposing of products with damaged labels, unsold seasonal products, or are products that have expirations dates that expire within 30 days; and

- sales are subject to the same taxes that a consumer would pay at a retail sale.

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: PRO: The craft beer market is a growing and dynamic market, with constant new and improved products. Beer distributors have a limited ability to dispose of time-limited, seasonal, and damaged products. Distributors have a greater loss-exposure with beer products that change frequently and have a limited shelf life. If we have to throw these products away, it creates a situation where we are reluctant to carry a brewer's products. Oregon has a much more liberal system that helps them move more products and creates less inventory loss exposure. This is a much tighter bill than Oregon's current laws, as it limits the sales to the public to only 12 days per year. The bill will benefit both brewers and distributors and provide a market for products that would otherwise be destroyed.

CON: Our objection to this bill is related not to its specific provisions, but to the cumulative effect of all the alcohol related bills that have come before this bill and the ones that will come afterwards. These bills continue to expand the opportunity to consume alcohol and create mixed messages for our youth. The issues presented by this bill are real. Beer does have a short shelf life and distributors do bear the burden and cost of having to pull and dispose of expired products. Oregon has created an exception to their three-tiered system to allow these types of "dock sales," but we are not supportive of expanding this exception in Washington. It is interesting that the groups that brought you last year's exceptions for spirit and wine distributors to sell to their employees, oppose a similar provision for beer distributors. The legislature should look at the entire three-tier system over the interim and lineup all the provisions to eliminate inequities created in the statutes. We should not continue to make piecemeal exceptions in the statutes.

OTHER: The LCB has not experienced any real issues with last year's bill that allowed spirits and wine distributors to sell products with damaged labels to their employees. Allowing distributors to make sales to the public would pose more enforcement problems, than allowing sales to your employees that you already know.

Persons Testifying: PRO: Keith Richards, CEO Corwin Beverage.

CON: Seth Dawson, Washington Association for Substance Abuse Prevention; Scott Hazlegrove, Washington Beer & Wine Distributors Association; Charlie Brown, Diageo.

OTHER: Chris Thompson, Liquor and Cannabis Board; Becky Smith, Liquor and Cannabis Board; Justin Nordhorn, Liquor and Cannabis Board.

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