

---

**Commerce & Gaming Committee**

---

**HB 2683**

**Brief Description:** Creating a local wine industry association license.

**Sponsors:** Representatives Chapman, Jenkin, Wylie, Chambers, Chandler, Tharinger and Kretz.

**Brief Summary of Bill**

- Establishes the local wine industry association license, authorizing certain entities to receive purchased or donated wine from domestic winery licensees that may be used for promotional or marketing purposes.
- Provides that entities eligible to receive the local wine industry association license include nonprofit societies or certain organizations that promote Washington's wine industry.
- Exempts domestic wineries, only while participating in an event or marketing program, from the "money or moneys' worth" prohibition in the three tier system.

**Hearing Date:** 1/28/20

**Staff:** Kyle Raymond (786-7190).

**Background:**

Domestic Winery License.

A domestic winery license issued by the Liquor & Cannabis Board (LCB) authorizes the manufacture of wine in the state. Subject to restrictions, a domestic winery may also act as a distributor and retailer of wine of its own production while complying with the laws applicable to wine distributors and retailers, and take orders and accept payment for wines of its own production during an event held by a nonprofit holding a special occasion license. Also, a domestic winery may qualify for an endorsement to sell wine of its own production at retail for off-premises consumption at a qualifying farmers' market, subject to restrictions.

Special Occasion Licenses.

---

*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 not-for-profit society or organization that obtains a special occasion liquor license may sell spirits, beer, and wine by the individual glass to be consumed on the premises. The special occasion license permits the licensee to serve liquor at a specified event, on a specified date and place. The fee for this license is \$60 per day, and the organization is limited to sales on no more than 12 single-day events per year. Once per year, certain agricultural fairs may count a multiple-day fair as one event.

Under a special occasion license, a "society or organization" means a not-for-profit group organized and operated: (1) solely for charitable, religious, social, political, educational, civic, fraternal, athletic, or benevolent purposes; or (2) as a local wine industry association registered under section 501(c)(6) of the Internal Revenue Code as it exists on July 22, 2007.

No portion of the profits from events sponsored by a not-for-profit group may be paid directly or indirectly to members, officers, directors, or trustees except for services performed for the organization. Any compensation paid to its officers and executives must be only for actual services and at levels comparable to the compensation for like positions within the state. A society or organization which is registered with the Washington Secretary of State or the United States Internal Revenue Service as a nonprofit organization shall submit such registration, upon request, as proof that it is a not-for-profit group.

#### Three-tier System Prohibition.

Built into the post-prohibition legal framework regulating liquor manufacturing, distribution, and sales is a separation between the three-tiers of the liquor industry: (1) manufacturing, (2) distributing, and (3) retailing. Liquor licensees in the manufacturing and distributing tiers of the industry, and their authorized representatives, are defined as "industry members" for certain purposes in liquor statutes.

There are two primary prohibitions that provide the separation between the tiers of the industry. First, generally liquor licensees in the manufacturing and distributing tiers are prohibited from having financial interests in a business within the retail tier of the industry, and vice versa. Secondly, industry members are prohibited from providing "money or moneys' worth," under any type of business practice or arrangement, to a business in the retail tier of the industry. Retailers are similarly prohibited from receiving money or moneys' worth from industry members.

#### Imposition of Taxes on Sales of Wine and Cider.

The LCB administers the collection of the wine tax. The tax rate for wine varies based on the type of wine sold. Tax rates include \$0.2292 per liter for table wines, \$0.4536 per liter for fortified wines, and \$.0814 per liter for cider.

#### **Summary of Bill:**

The local wine industry association license is established. The license may be issued to a nonprofit society or an organization created with the express purpose of educating consumers on, or promoting the economic development of, the Washington wine industry. The annual fee for the local wine industry association license is \$700.

A local wine industry association licensee (licensee) may purchase or receive donations of wine from domestic winery licensees, and the wine may be used for promotional or marketing purposes.

Events or marketing programs conducted by licensees may be held on domestic winery premises as long as the domestic winery and the local wine industry association licensee each separately account for the sales of its wine.

While participating in an event or marketing program conducted by licensees, domestic wineries that are verified as dues-paying members of the licensee's organization are not subject to the "money or moneys' worth" prohibition under the three-tier system requirements.

If requested by the Liquor and Cannabis Board (LCB), licensees must notify the local LCB enforcement officers of any event or marketing program conducted under the license.

Licensees are not prohibited from accessing a special occasion license or a special permits.

Wine furnished to a nonprofit society under this section is subject to the taxes on sales of wine.

**Appropriation:** None.

**Fiscal Note:** Available.

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