
HOUSE BILL 2204

State of Washington

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By Representatives Kirby, Vick, Walen, Corry, Jenkin, Hoff, Fey, Chapman, and Wylie

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1 AN ACT Relating to the creation of a limited spirits retail
2 license; amending RCW 66.24.055; and adding new sections to chapter
3 66.24 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 66.24
6 RCW to read as follows:

7 (1) There is a limited spirits retail license to:

8 (a) Sell spirits in original containers to consumers for
9 consumption off the licensed premises and to permit holders; and

10 (b) Export spirits.

11 (2) For the purposes of this title, a limited spirits retail
12 license is a retail license, and a sale by a limited spirits retailer
13 is a retail sale.

14 (3)(a) Except as otherwise provided in (c) of this subsection,
15 the board may issue limited spirits retail licenses to applicants
16 holding licenses for off-premises sales of either beer or wine, or
17 both, issued pursuant to RCW 66.24.360(1), but only to applicants
18 that:

19 (i) Do not hold any endorsement issued pursuant to RCW 66.24.360
20 (2), (3), (6), or (10);

1 (ii) Do not hold a restricted license issued pursuant to RCW
2 66.24.360(7);

3 (iii) Satisfy all reasonable requirements imposed by statute or
4 regulation for issuance of a retail liquor license, including any
5 enhanced employee training requirements required by the board for
6 holders of limited spirits retail licenses; and

7 (iv) The board determines will maintain systems for inventory
8 management, employee training, employee supervision, and physical
9 security of the product substantially as effective with respect to
10 preventing sales to, or pilferage by, underage or inebriated persons
11 as those systems currently used by stores holding spirits retail
12 licenses issued pursuant to RCW 66.24.630.

13 (b) License issuances and renewals pursuant to this section are
14 subject to RCW 66.24.010 and the regulations adopted thereunder,
15 including, without limitation, rights of cities, towns, county
16 legislative authorities, the public, churches, schools, and public
17 institutions to object to, or prevent issuance of, local liquor
18 licenses.

19 (c) The board may deny a limited spirits retail license to an
20 otherwise qualified applicant if:

21 (i) At the time of the application, the applicant holds an
22 existing grocery store license issued pursuant to RCW 66.24.360 and
23 the board determines that the licensee has committed more than one
24 public safety violation within the three years preceding the filing
25 of the application;

26 (ii) The board reasonably determines that issuance of the limited
27 spirits retail license to the applicant would not be in the best
28 interests of the community to be served by the applicant because it
29 would result in an excessive number of locations where spirits could
30 be purchased in the community;

31 (iii) The board reasonably determines that issuance of the
32 limited spirits retail license to the applicant would otherwise pose
33 an unacceptable risk to the health and welfare of the community to be
34 served; or

35 (iv) Issuance of the limited spirits retail license would cause
36 the total number of liquor licenses for the sale of alcohol for off-
37 premises consumption to exceed any limits imposed by the legislature
38 on the number of licenses permitted to be active in the state or any
39 defined portion of the state at the time the application is
40 processed.

1 (d) Any spirits sold by the holder of a limited spirits retailer
2 license must have been purchased from a spirits distributor licensed
3 to do business within the state of Washington.

4 (4) Each limited spirits retail licensee must pay to the board,
5 for deposit into the liquor revolving fund, a license issuance fee
6 equivalent to seventeen percent of all spirits sales revenues under
7 the license, exclusive of taxes collected by the licensee and of
8 sales of items on which a license fee payable under this section has
9 otherwise been incurred. The board must establish rules setting forth
10 the timing of the payments and reporting of sales dollar volume by
11 the licensee, with payments required quarterly in arrears.

12 (5) In addition to the payments required under subsection (4) of
13 this section, each limited spirits retail licensee must pay an annual
14 license renewal fee of one hundred sixty-six dollars. The board must
15 periodically review and adjust the renewal fee as may be required to
16 maintain it as comparable to annual license renewal fees for spirits
17 retail licenses issued pursuant to RCW 66.24.630 or 66.24.035. If
18 required by law at the time, any increase of the annual renewal fee
19 becomes effective only upon ratification by the legislature.

20 (6) As a condition to receiving and renewing a limited spirits
21 retail license, the licensee must provide training to all individuals
22 who sell spirits or who manage others who sell spirits regarding
23 compliance with the laws and regulations regarding the sale of
24 spirits, including, without limitation, the prohibitions against the
25 sale of spirits to individuals who are underage or visibly
26 intoxicated. The training must be provided before the individual
27 first engages in the sale of spirits and must be renewed at least
28 every five years. The licensee must maintain records documenting the
29 nature and frequency of the training provided. An employee training
30 program is presumptively sufficient if it incorporates all enhanced
31 employee training requirements required by the board for holders of
32 limited spirits retail licenses.

33 (7) The maximum penalties prescribed by the board in WAC
34 314-29-020 through 314-29-040 relating to fines and suspensions are
35 doubled for violations relating to the sale of spirits by limited
36 spirits retail licensees. Licensees who comply with all employee
37 training and education requirements established by the board for
38 limited spirits retail licensees are not subject to the doubling of
39 penalties provided in this section for a single violation in any
40 period of twelve calendar months.

1 (8) Limited spirits retail licensees must comply with all laws
2 and regulations governing spirits retail licensees, except to the
3 extent that doing so would result in a violation of, or failure to
4 fully comply with, this section.

5 NEW SECTION. **Sec. 2.** A new section is added to chapter 66.24
6 RCW to read as follows:

7 (1)(a) In addition to the spirits distributor license fees
8 required by RCW 66.24.055, each spirits distributor selling spirits
9 to a limited spirits retail licensee must pay to the board, for
10 deposit into the liquor revolving fund, a mitigation fee equivalent
11 to five percent of the amount paid for the spirits by the limited
12 spirits retail licensee, exclusive of any taxes and fees that may be
13 included in the invoice to the retailer.

14 (b) Each distiller or craft distiller selling spirits to a
15 limited spirits retail licensee must pay to the board, for deposit
16 into the liquor revolving fund, a mitigation fee equivalent to five
17 percent of the amount paid for the spirits by the limited spirits
18 retail licensee, exclusive of any taxes and fees that may be included
19 in the invoice to the retailer.

20 (2) On or before January 31st of each year, the board will
21 determine the total amount of mitigation fees paid into the liquor
22 revolving fund during the preceding year and disburse those moneys as
23 follows:

24 (a) The board will retain the first three hundred thousand
25 dollars of mitigation fees collected during a calendar year in the
26 liquor revolving fund and use it for general enforcement purposes.

27 (b) To the extent sufficient mitigation fees were collected
28 during the preceding calendar year, the board will distribute one
29 million five hundred thousand dollars of the fees to school-based or
30 community-based prevention and treatment programs designated by the
31 board.

32 (c) After the distributions pursuant to (a) and (b) of this
33 subsection, and to the extent sufficient mitigation fees were
34 collected during the preceding calendar year, the board will transfer
35 two million dollars from the liquor revolving fund to a repayment
36 fund to be disbursed in accordance with subsection (3) of this
37 section.

38 (d) After the distributions pursuant to (a) through (c) of this
39 subsection, and to the extent sufficient mitigation fees were

1 collected during the preceding calendar year, the board will
2 distribute five hundred thousand dollars of the fees to the
3 Washington association of sheriffs and police chiefs, or such other
4 law enforcement group or agency as the board may designate, for use
5 in enforcement activities related to alcohol sales or consumption.

6 (e) In the event mitigation fees from the prior year remain in
7 the liquor revolving fund after the distributions pursuant to (a)
8 through (d) of this subsection have been made, the board will
9 distribute:

10 (i) Forty percent of the excess fees to school-based or
11 community-based prevention and treatment programs designated by the
12 board;

13 (ii) Fifty percent of the excess fees to the repayment fund to be
14 disbursed in accordance with subsection (3) of this section; and

15 (iii) Ten percent of the excess fees to the Washington
16 association of sheriffs and police chiefs, or such other law
17 enforcement group or agency as the board may designate, for use in
18 enforcement activities related to alcohol sales or consumption.

19 (3) The board will adopt regulations governing disbursements from
20 the repayment fund and make appropriate disbursements, consistent
21 with the following:

22 (a) Any person who purchased former state liquor store operating
23 rights at auction under RCW 66.24.620(4)(c) is eligible for
24 reimbursement of the full amount paid at the auction, together with
25 interest in an amount to be determined by the board, provided the
26 person:

27 (i) Acquired a spirits retail license to exercise the operating
28 rights purchased at auction;

29 (ii) Operated a spirits retail store pursuant to the license as
30 of December 31, 2019;

31 (iii) Submits to the board, within sixty days after the effective
32 date of this section, written notice of intent to relinquish the
33 spirits retail license; and

34 (iv) Applies to the board for reimbursement, on a form developed
35 by the board, within sixty days after the board makes the application
36 form available to the public.

37 (b) The board will promptly create an application form for use by
38 persons seeking reimbursement pursuant to this section and will make
39 the application form available to the public within ninety days after
40 the effective date of this section.

1 (c) The board will establish procedures for processing the
2 applications and for appealing any determinations made by the board
3 as to an applicant's eligibility for reimbursement or the amounts to
4 be reimbursed to an applicant.

5 (d) As soon as reasonably practicable after beginning to process
6 the applications, the board will notify each applicant as to whether
7 the applicant is eligible for reimbursement and, if so, the amount to
8 be reimbursed.

9 (e) The board's determination will be binding upon an applicant
10 unless the applicant challenges the determination, in accordance with
11 rules adopted by the board for that purpose, within forty-five days
12 after the applicant learns of the determination.

13 (f) When the board determines that there is enough money in the
14 repayment fund, it will cease moving moneys into the repayment fund
15 and will promptly reimburse each eligible applicant in the amount
16 approved by the board or established pursuant to an appeal by the
17 applicant under (c) of this subsection.

18 (g) Any person electing to relinquish his or her spirits retail
19 license pursuant to this section must relinquish the license
20 simultaneously with his or her receipt of the full amount approved by
21 the board for that license. The person may, but is not required to,
22 continue operating under the license until such time as he or she
23 receives reimbursement hereunder.

24 (4) On or before the 31st day of January following the cessation
25 of transfers to the repayment fund and reimbursement to all eligible
26 applicants, and on or before each January 31st thereafter, the board
27 will disburse mitigation fees as follows:

28 (a) Seventy percent of the available mitigation fees will be
29 disbursed to school-based or community-based prevention and treatment
30 programs designated by the board.

31 (b) Thirty percent of the available mitigation fees will be
32 retained in the liquor revolving fund and used by the board solely
33 for enforcement of liquor and cannabis laws.

34 **Sec. 3.** RCW 66.24.055 and 2013 2nd sp.s. c 12 s 1 are each
35 amended to read as follows:

36 (1) There is a license for spirits distributors to (a) sell
37 spirits purchased from manufacturers, distillers, or suppliers
38 including, without limitation, licensed Washington distilleries,
39 licensed spirits importers, other Washington spirits distributors, or

1 suppliers of foreign spirits located outside of the United States, to
2 spirits retailers including, without limitation, spirits retail
3 licensees, special occasion license holders, interstate common
4 carrier license holders, restaurant spirits retailer license holders,
5 spirits, beer, and wine private club license holders, hotel license
6 holders, sports entertainment facility license holders, and spirits,
7 beer, and wine nightclub license holders, and to other spirits
8 distributors; and (b) export the same from the state.

9 ~~(2) ((By January 1, 2012, the board must issue spirits~~
10 ~~distributor licenses to all applicants who, upon December 8, 2011,~~
11 ~~have the right to purchase spirits from a spirits manufacturer,~~
12 ~~spirits distiller, or other spirits supplier for resale in the state,~~
13 ~~or are agents of such supplier authorized to sell to licensees in the~~
14 ~~state, unless the board determines that issuance of a license to such~~
15 ~~applicant is not in the public interest.~~

16 ~~(3))~~ (a) As limited by (b) of this subsection ~~((and subject to~~
17 ~~(e) of this subsection)),~~ each spirits distributor licensee must pay
18 to the board, for deposit into the liquor revolving fund, a license
19 issuance fee calculated as ~~((follows:~~

20 ~~(i) In each of the first twenty-seven months of licensure, ten~~
21 ~~percent of the total revenue from all the licensee's sales of spirits~~
22 ~~made during the month for which the fee is due, respectively; and~~

23 ~~(ii) In the twenty-eighth month of licensure and each month~~
24 ~~thereafter,))~~ five percent of the total revenue from all the
25 licensee's sales of spirits made during the month for which the fee
26 is due, respectively.

27 (b) The fee required under this subsection ~~((3))~~ (2) is
28 calculated only on sales of items which the licensee was the first
29 spirits distributor in the state to have received:

30 (i) In the case of spirits manufactured in the state, from the
31 distiller; or

32 (ii) In the case of spirits manufactured outside the state, from
33 an authorized out-of-state supplier.

34 ~~(c) ((By March 31, 2013, all persons holding spirits distributor~~
35 ~~licenses on or before March 31, 2013, must have paid collectively one~~
36 ~~hundred fifty million dollars or more in spirits distributor license~~
37 ~~fees. If the collective payment through March 31, 2013, totals less~~
38 ~~than one hundred fifty million dollars, the board must, according to~~
39 ~~rules adopted by the board for the purpose, collect by May 31, 2013,~~
40 ~~as additional spirits distributor license fees the difference between~~

1 ~~one hundred fifty million dollars and the actual receipts, allocated~~
2 ~~among persons holding spirits distributor licenses at any time on or~~
3 ~~before March 31, 2013, ratably according to their spirits sales made~~
4 ~~during calendar year 2012. Any amount by which such payments exceed~~
5 ~~one hundred fifty million dollars by March 31, 2013, must be credited~~
6 ~~to future license issuance fee obligations of spirits distributor~~
7 ~~licensees according to rules adopted by the board.~~

8 ~~(d))~~ A retail licensee selling for resale must pay a distributor
9 license fee under the terms and conditions in this section on resales
10 of spirits the licensee has purchased on which no other distributor
11 license fee has been paid. A limited spirits retail licensee must
12 also pay a mitigation fee equivalent to five percent of all spirits
13 sales revenues under the license on resales of spirits the licensee
14 has purchased on which no other distributor license fee has been
15 paid. The board must establish rules setting forth the frequency and
16 timing of such payments and reporting of sales dollar volume by the
17 licensee, with payments due quarterly in arrears. The board will
18 process and distribute mitigation fees paid under this section in the
19 same manner and subject to the same regulations as the mitigation
20 fees established in section 2 of this act.

21 ~~((e))~~ (d) No spirits inventory may be subject to calculation of
22 more than a single spirits distributor license issuance fee.

23 ~~((4))~~ (3) In addition to the payment set forth in subsection
24 ~~((3))~~ (2) of this section, each spirits distributor licensee
25 renewing its annual license must pay an annual license renewal fee of
26 one thousand three hundred twenty dollars for each licensed location.

27 ~~((5))~~ (4) There is no minimum facility size or capacity for
28 spirits distributor licenses, and no limit on the number of such
29 licenses issued to qualified applicants. License applicants must
30 provide physical security of the product that is substantially as
31 effective as the physical security of the distribution facilities
32 currently operated by the board with respect to preventing pilferage.
33 License issuances and renewals are subject to RCW 66.24.010 and the
34 regulations promulgated thereunder, including without limitation
35 rights of cities, towns, county legislative authorities, the public,
36 churches, schools, and public institutions to object to or prevent
37 issuance of local liquor licenses. ~~((However, existing distributor~~
38 ~~premises licensed to sell beer and/or wine are deemed to be premises~~

1 ~~"now licensed" under RCW 66.24.010(9)(a) for the purpose of~~
2 ~~processing applications for spirits distributor licenses.)~~)

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