

HOUSE BILL REPORT

HB 1011

As Reported by House Committee On:
Commerce & Gaming

Title: An act relating to renewal dates for liquor licenses.

Brief Description: Concerning renewal dates for liquor licenses.

Sponsors: Representatives MacEwen, Eslick, Wicks, Corry, Young, Graham, Vick, Rude, Stokesbary and Rule.

Brief History:

Committee Activity:

Commerce & Gaming: 1/14/21, 2/5/21 [DPS].

Brief Summary of Substitute Bill

- Extends the expiration of certain liquor licenses to May 31, 2022, so no renewal or fees would be due until then.
- Identifies specific liquor licenses and endorsements covered by the license expiration extension, including a variety of liquor manufacturers and retailers.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kloba, Chair; Wicks, Vice Chair; MacEwen, Ranking Minority Member; Robertson, Assistant Ranking Minority Member; Chambers, Kirby, Morgan, Vick and Wylie.

Staff: Peter Clodfelter (786-7127).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Liquor licenses for the manufacture, distribution, and retail sale of beer, wine, spirits, and other liquor are issued by the Liquor and Cannabis Board (LCB). For the original issuance of a liquor license, the LCB sets the expiration date of the license to the last day of the calendar month that is 12 months from the calendar month in which final approval of the license is granted. Upon renewal, the expiration of the license may be prorated as necessary pursuant to the Business Licensing Service Act.

The LCB coordinates with the Department of Revenue (DOR) to process liquor license applications through the DOR's Business Licensing Service (BLS). The BLS is a one-stop system for businesses to acquire and maintain the necessary state licenses to conduct business. The DOR assigns an expiration date for each business license. All renewable licenses endorsed on the business license must expire on that date. License fees must be prorated to accommodate the staggering of expiration dates. License fees received by the LCB are deposited in the Liquor Revolving Fund.

Summary of Substitute Bill:

For liquor licenses and endorsements identified in the bill that are subject to annual renewal and will expire during the first calendar month after the effective date of the bill through May 1, 2022, the expiration of the license is extended through May 31, 2022, with no fees due for this time period. Upon renewal, the expiration date of the license may subsequently be prorated as necessary in accordance with the Business Licensing Service Act.

The following liquor licenses and endorsements are the only licenses and endorsements to which the extension of license expiration and delayed license renewal applies:

- distillery license and craft distillery license;
- distillery off-site tasting room license;
- local wine industry association license;
- domestic winery license and farmers market endorsement;
- farmers market wine/beer sampling endorsement;
- wine retailer reseller endorsement to beer/wine specialty shop license;
- domestic brewery license and farmers market endorsement;
- microbrewery license and farmers market endorsement;
- on-premises endorsement for wineries to serve beer and breweries to serve wine;
- representative's license;
- beer and wine restaurant license;
- tavern license and caterer's endorsement;
- snack bar license;
- combined license for on-premise licensee to sell beer/wine off-premise;
- beer and/or wine specialty shop license and endorsements;
- special occasion license;
- spirits, beer, and wine restaurant license and endorsements;
- spirits, beer, and wine private club license and endorsements;

- beer and wine private club license and endorsement;
- nonprofit arts organization license;
- grower's license;
- motel license;
- beer and wine gift delivery license;
- public house license;
- hotel license;
- nightclub license;
- VIP airport lounge operator license;
- theater license for beer, strong beer, and wine;
- theater license for spirits, beer, strong beer, and wine;
- caterer's license; and
- bonded and nonbonded spirits warehouse license.

Substitute Bill Compared to Original Bill:

The substitute bill restructures the proposal so that the liquor license renewal extension period lasts into 2022 instead of 2021, and so it applies only to a specific list of liquor licensees and endorsement holders, instead of applying to all liquor licenses renewed on an annual basis.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 8, 2021.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) The COVID-19 pandemic (pandemic) has substantially hurt many businesses throughout the state and negatively impacted their cash flows. The renewal of a liquor license is a substantial amount of money for most businesses, sometimes several thousand dollars. Anything the state can do to defer these expenditures for businesses will help businesses get through the pandemic and open along with the economy. This legislation would allow operators to defer renewing and paying their license renewal fee until a time in the future. Proponents are open to changing the dates used in the legislation, adding any liquor licensees inadvertently omitted to the scope of the bill, and making other adjustments to the legislation to help with implementation and minimize budgetary impacts. Restaurants have been devastated over the last year by the pandemic. While limited operations have continued, sales are drastically down, and an estimated 35 percent of restaurants could permanently close within a year. Full-service restaurants are struggling more than quick-service restaurants. Restaurants and hospitality businesses feel fortunate for their

partnership with the Liquor and Cannabis Board (LCB), and emphasize how helpful the LCB has been to licensees since March 2020 providing relief to the industry such as through temporary authorizations. The work of the LCB and the Department of Revenue to refund certain liquor license fees for licensees who did not operate for much of 2020 or plan to operate in 2021 is also appreciated. But only a small handful of businesses have received that relief. Restaurants are not able to operate at full capacity, if at all. Their license fees are one of their largest annual expenses. This bill gives all licensees a form of relief until they can reopen at a more profitable capacity.

(Opposed) None.

(Other) Consider reducing the license renewal deferral period to June 2022 instead of June 2023. It is unpredictable what the world will look like one year from now. There is an opportunity next legislative session to make adjustments to dates if necessary based on the conditions at that time. Many distilleries and craft distilleries throughout the state are going out of business due to the pandemic. There are about 20 percent less distilleries in the state now relative to last year. The bill is a great idea and should be expanded to ensure all licensees receive relief as their licenses become due for renewal over the next year.

Persons Testifying: (In support) Representative MacEwen, prime sponsor; and Katie Doyle, Washington Hospitality Association.

(Other) Seth Dawson, Washington Association for Substance Abuse and Violence Prevention; and Jim Hedrick, Washington Distillers Guild.

Persons Signed In To Testify But Not Testifying: None.