

# HOUSE BILL REPORT

## HB 2080

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**As Reported by House Committee On:**  
Commerce & Gaming

**Title:** An act relating to creating a license endorsement allowing domestic licensed alcohol manufacturers to provide contract packaging services to other alcohol manufacturing licensees within this state.

**Brief Description:** Creating a liquor license endorsement.

**Sponsors:** Representatives Vick and Sutherland.

**Brief History:**

**Committee Activity:**

Commerce & Gaming: 2/1/22, 2/3/22 [DP].

**Brief Summary of Bill**

- Establishes a new liquor license endorsement (\$100 per year) for distilleries, wineries, and breweries to contract for packaging services with other licensed distilleries, wineries, and breweries.
- Includes examples of authorized packaging services such as canning, bottling, and bagging of alcoholic beverages; mixing products before packaging; repackaging of finished products into mixed consumer packs; and receiving and returning products subject to requirements.

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### HOUSE COMMITTEE ON COMMERCE & GAMING

**Majority Report:** Do pass. Signed by 8 members: Representatives Kloba, Chair; Wicks, Vice Chair; MacEwen, Ranking Minority Member; Robertson, Assistant Ranking Minority Member; Chambers, Morgan, Vick and Wylie.

**Minority Report:** Do not pass. Signed by 1 member: Representative Kirby.

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*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.*

**Staff:** Peter Clodfelter (786-7127)

**Background:**

The Liquor and Cannabis Board (LCB) licenses and regulates liquor manufacturers, distributors, and retailers. Among the liquor manufacturing licenses available are licenses for distilleries, craft distilleries, domestic wineries, domestic breweries, and microbreweries. Each of these manufacturing licenses includes its own privileges and limitations, but in general each of these manufacturing licenses authorize the licensee to manufacture either spirits, wine, or beer; to self-distribute the licensee's product to retailers; and to make retail sales of alcohol products to adults age 21 and over. There are exemptions in the Washington State Liquor Act related to the manufacture, sale, and use of medicinal, culinary, or toilet preparations not usable as beverages, to exempt these preparations containing liquor from requirements that would otherwise apply to their manufacture, sale, and use.

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**Summary of Bill:**

A new liquor license endorsement is established and is available at a cost of \$100 per year to any liquor manufacturer licensed in Washington as a distillery, craft distillery, domestic winery, domestic brewery, or microbrewery. The endorsement authorizes the licensee to contract with other distilleries, craft distilleries, domestic wineries, domestic breweries, and microbreweries licensed in Washington to provide packaging services.

Packaging services are specified as including, but not being limited to, the following services:

- canning, bottling, and bagging of alcoholic beverages;
- mixing products before packaging;
- repacking of finished products into mixed consumer packs or multipacks; and
- receiving and returning products to the originating liquor-licensed businesses as part of a contract in which the contracting liquor-licensed party for which the services are being provided retains title and ownership of the products at all times.

Holders of the endorsement may contract with non-liquor-licensed businesses if the contract does not include alcohol products. Holders of the endorsement are prohibited from doing any of the following:

- contracting directly or indirectly with any retail liquor licensee for the sale of the alcohol products being packaged, unless they are medicinal, culinary, or toilet preparations not usable as beverages;
- engaging in direct liquor sales to retail liquor licensees on behalf of the contracted party or the contracted party's products, except for the sale of alcohol products that are medicinal, culinary, or toilet preparations not usable as beverages; and
- mixing or infusing tetrahydrocannabinol (THC), cannabidiol (CBD), or any other

cannabinoid into any products containing alcohol.

The LCB must approve a written request for an endorsement for any authorized licensee in good standing at the time of the request without further requirement for additional licensing or administrative review.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) The bill is about efficiency and scalability for brewers, distillers, and wineries. The liquor market is highly regulated in Washington and currently distillers, brewers, and vintners must bottle their own products. This bill seeks to allow these businesses to contract for bottling, canning, and packaging services. The equipment, machinery, and services required for these activities are expensive. There are some distillers, brewers, or wineries with the equipment and machinery who also have excess capacity for packaging services; these businesses want to sell their capacity to competitors. The bill helps allow these efficiencies and will enable businesses to pool resources and accomplish more than what they could accomplish on their own. The bill is strict and does not change how or where products are sold or how products are distilled. Several years ago the Legislature passed a similar law to create a manufacturer's license to allow additional business activities. But that license is not available for distillers, wineries, or breweries to combine with their distillery, winery, or brewery license as an overlay. To solve that issue, the bill creates a license endorsement for distilleries, breweries, and wineries who have equipment to apply for the new endorsement and be able to offer third-party packaging services. The cost of canning equipment is exorbitant and the lead-time to secure quality equipment is well over a year in current market conditions. Access to plumbers and pipe fitters needed to install equipment is also limited. For businesses, it is not a good use of capital to purchase new equipment when another business with equipment has capacity. The bill will allow liquids to move between two licensed liquor businesses, with the original manufacturer retaining title to the product. This bill helps achieve goals of growing Washington's manufacturing industries and keeping activities within the state. Currently, liquid must be shipped out of state for these services. The bill helps support in-state craft producers. Oregon allows wineries to hold distillery licenses, so Washington wineries are at a distinct disadvantage relative to Oregon wineries. The bill helps Washington's businesses be more competitive.

(Opposed) None.

(Other) From a staffing perspective, the LCB would likely require minimal resources to administer the bill. There are about nine manufacturing licensees that currently can engage in these business practices without the endorsement. It is hard to know how many distilleries, breweries, and wineries would be interested in this new endorsement. Potentially a dozen distillery, winery, or brewery licensees may be initially interested in this new endorsement.

**Persons Testifying:** (In support) Representative Brandon Vick, prime sponsor; Justin Stiefel, Heritage Distilling Co.; and Colin Schilling, Schilling Cider.

(Other) Paul Magerl, Liquor and Cannabis Board.

**Persons Signed In To Testify But Not Testifying:** None.