

HOUSE BILL REPORT

SB 5940

As Passed House:

March 2, 2022

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: Senator King.

Brief History:

Committee Activity:

Commerce & Gaming: 2/17/22, 2/22/22 [DP].

Floor Activity:

Passed House: 3/2/22, 93-3.

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.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: 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.

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.

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.

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 will create a new license endorsement to enable distilleries, wineries, and breweries to contract with each other for packaging services. It will help small distilleries, wineries, and breweries save thousands of dollars that would otherwise be spent on equipment. Consumer preferences continue to change, and there is demand for new types of canned and packaged products. More products are coming from outside of Washington that are taking away opportunities locally. The bill allows businesses to be proactive in bringing products to market to meet consumers' choices. Manufacturers who have invested hundred of thousands or millions of dollars in equipment and have excess capacity would be able to leverage their investment and meet a market need. Small businesses will be able to leverage their collective resources and achieve efficiencies and scalability. The bill will grow manufacturing in Washington and bring jobs back to Washington that are leaving when products are packaged in another state. Current law requires that distilleries, breweries, and wineries bottle product at the location where product is produced. To bottle liquor off site or to contract with another licensed business for that activity, the distiller, brewery, or winery currently must ship product out of Washington to be bottled and then shipped back to Washington. The bill allows businesses to more simply contract with each other within Washington. There is still strict regulation of the products. The bill does not change how or where liquor products are sold. Restrictions in the bill, as well as under federal law, prohibit any cannabis products from being added to alcohol products. The bill will help businesses get to a place they could not get to on their own.

(Opposed) None.

Persons Testifying: Senator Curtis King, prime sponsor; Colin Schilling, Schilling Cider; Jim Hedrick, Washington Distillers Guild; and Justin Stiefel, Heritage Distilling Company.

Persons Signed In To Testify But Not Testifying: None.