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**HOUSE BILL 1062**

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**State of Washington**

**67th Legislature**

**2021 Regular Session**

**By** Representatives Kirby, Vick, Corry, and Ryu

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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) or (e) of this  
15 subsection, the board may issue limited spirits retail licenses to  
16 applicants holding licenses for off-premises sales of either beer or  
17 wine, or both, issued pursuant to RCW 66.24.360(1), but only to  
18 applicants 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;

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 (v) The board determines have not committed more than one safety  
14 violation within the three years preceding the filing of the  
15 application; and

16 (vi) Except as provided in (e) of this subsection, the board  
17 determines are not located, or proposed to be located, within a one-  
18 mile radius of a spirits retail licensee who is operating on the  
19 effective date of this section and obtained the spirits retail  
20 license for the location through rights purchased at the auction held  
21 under RCW 66.24.620.

22 (b)(i) License issuances and renewals pursuant to this section  
23 are subject to RCW 66.24.010 and the regulations adopted thereunder,  
24 including, without limitation, rights of the public, churches,  
25 schools, and public institutions to object to local liquor licenses.

26 (ii) Nothing in this section prevents a city, town, or county  
27 legislative authority from adopting an ordinance or resolution that  
28 institutes a ban or moratorium on the issuance of a limited spirits  
29 retail license within its jurisdiction.

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

32 (i) The board reasonably determines that issuance of the limited  
33 spirits retail license to the applicant would not be in the best  
34 interests of the community to be served by the applicant because it  
35 would result in an excessive number of locations where spirits could  
36 be purchased in the community;

37 (ii) The board reasonably determines that issuance of the limited  
38 spirits retail license to the applicant would otherwise pose an  
39 unacceptable risk to the health and welfare of the community to be  
40 served; or

1 (iii) Issuance of the limited spirits retail license would cause  
2 the total number of liquor licenses for the sale of alcohol for off-  
3 premises consumption to exceed any limits imposed by the legislature  
4 on the number of licenses permitted to be active in the state or any  
5 defined portion of the state at the time the application is  
6 processed.

7 (d) Any spirits sold by the holder of a limited spirits retailer  
8 license must have been purchased from a spirits distributor licensed  
9 to do business within the state of Washington or from a licensed  
10 distiller or licensed craft distiller authorized to sell spirits to a  
11 retail licensee for off-premises consumption.

12 (e) Three years after the effective date of this section the  
13 board shall stop using (a)(vi) of this subsection as a basis for  
14 denying a limited spirits retail license to an otherwise qualified  
15 applicant.

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

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

32 (6) As a condition to receiving and renewing a limited spirits  
33 retail license, the licensee must provide training to all individuals  
34 who sell spirits or who manage others who sell spirits regarding  
35 compliance with the laws and regulations regarding the sale of  
36 spirits, including, without limitation, the prohibitions against the  
37 sale of spirits to individuals who are underage or visibly  
38 intoxicated. The training must be provided before the individual  
39 first engages in the sale of spirits and must be renewed at least  
40 every five years. The licensee must maintain records documenting the

1 nature and frequency of the training provided. An employee training  
2 program is presumptively sufficient if it incorporates all enhanced  
3 employee training requirements required by the board for holders of  
4 limited spirits retail licenses.

5 (7) The maximum penalties prescribed by the board in WAC  
6 314-29-020 through 314-29-040 relating to fines and suspensions are  
7 doubled for violations relating to the sale of spirits by limited  
8 spirits retail licensees. Licensees who comply with all employee  
9 training and education requirements established by the board for  
10 limited spirits retail licensees are not subject to the doubling of  
11 penalties provided in this section for a single violation in any  
12 period of twelve calendar months.

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

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

19 (1)(a) The fee owed by a spirits distributor pursuant to RCW  
20 66.24.055 on sales of spirits to a limited spirits retail licensee  
21 shall be separately reported quarterly by the spirits distributor and  
22 the funds will be designated as mitigation fee funds.

23 (b) Each distiller or craft distiller selling spirits to a  
24 limited spirits retail licensee must pay to the board, for deposit  
25 into the liquor revolving fund, five percent of the total revenue  
26 from all the licensee's sales of spirits to limited spirits retail  
27 licensees made during the month for which the fee is due,  
28 respectively. The sales to limited spirits retail licensees shall be  
29 separately reported quarterly by the distiller or craft distiller and  
30 the funds will be designated as mitigation fee funds.

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

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

38 (b) To the extent sufficient mitigation fees were collected  
39 during the preceding calendar year, the board will distribute one

1 million five hundred thousand dollars of the fees to the department  
2 of commerce for distribution to countywide community mobilization  
3 programs as provided in RCW 43.270.020.

4 (c) After the distributions pursuant to (a) and (b) of this  
5 subsection, and to the extent sufficient mitigation fees were  
6 collected during the preceding calendar year, the board will transfer  
7 two million dollars from the liquor revolving fund to a repayment  
8 fund to be disbursed in accordance with subsection (3) of this  
9 section.

10 (d) After the distributions pursuant to (a) through (c) of this  
11 subsection, and to the extent sufficient mitigation fees were  
12 collected during the preceding calendar year, the board will  
13 distribute five hundred thousand dollars of the fees to the  
14 Washington association of sheriffs and police chiefs, or such other  
15 law enforcement group or agency as the board may designate, for use  
16 in enforcement activities related to alcohol sales or consumption.

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

21 (i) Forty percent of the excess fees to the department of  
22 commerce for distribution to countywide community mobilization  
23 programs as provided in RCW 43.270.020;

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

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

30 (3) The board will adopt regulations governing disbursements from  
31 the repayment fund and make appropriate disbursements, consistent  
32 with the following:

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

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

1 (ii) Operated a spirits retail store pursuant to the license as  
2 of December 31, 2020;

3 (iii) Submits to the board, within sixty days after the effective  
4 date of this section, written notice of intent to seek reimbursement  
5 through the repayment fund; and

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

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

13 (c) The board will establish procedures for processing the  
14 applications and for appealing any determinations made by the board  
15 as to an applicant's eligibility for reimbursement or the amounts to  
16 be reimbursed to an applicant.

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

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

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

30 (g) Any person electing to receive reimbursement from the  
31 repayment fund may continue to operate under their spirits retail  
32 license before and after receiving reimbursement. There is no  
33 requirement that a spirits retail license be relinquished in order to  
34 qualify for or receive reimbursement through the repayment fund.

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

39 (a) Seventy percent of the available mitigation fees will be  
40 disbursed to the department of commerce for distribution to

1 countywide community mobilization programs as provided in RCW  
2 43.270.020.

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

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

8 (1) There is a license for spirits distributors to (a) sell  
9 spirits purchased from manufacturers, distillers, or suppliers  
10 including, without limitation, licensed Washington distilleries,  
11 licensed spirits importers, other Washington spirits distributors, or  
12 suppliers of foreign spirits located outside of the United States, to  
13 spirits retailers including, without limitation, spirits retail  
14 licensees, special occasion license holders, interstate common  
15 carrier license holders, restaurant spirits retailer license holders,  
16 spirits, beer, and wine private club license holders, hotel license  
17 holders, sports entertainment facility license holders, and spirits,  
18 beer, and wine nightclub license holders, and to other spirits  
19 distributors; and (b) export the same from the state.

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

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

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

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

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

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

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

8 ~~((By March 31, 2013, all persons holding spirits distributor  
9 licenses on or before March 31, 2013, must have paid collectively one  
10 hundred fifty million dollars or more in spirits distributor license  
11 fees. If the collective payment through March 31, 2013, totals less  
12 than one hundred fifty million dollars, the board must, according to  
13 rules adopted by the board for the purpose, collect by May 31, 2013,  
14 as additional spirits distributor license fees the difference between  
15 one hundred fifty million dollars and the actual receipts, allocated  
16 among persons holding spirits distributor licenses at any time on or  
17 before March 31, 2013, ratably according to their spirits sales made  
18 during calendar year 2012. Any amount by which such payments exceed  
19 one hundred fifty million dollars by March 31, 2013, must be credited  
20 to future license issuance fee obligations of spirits distributor  
21 licensees according to rules adopted by the board.~~

22 ~~((d))~~) A retail licensee selling for resale must pay a distributor  
23 license fee under the terms and conditions in this section on resales  
24 of spirits the licensee has purchased on which no other distributor  
25 license fee has been paid. A limited spirits retail licensee selling  
26 for resale must also pay a distributor license fee under the terms  
27 and conditions in this section on resales of spirits the licensee has  
28 purchased on which no other distributor license fee has been paid.  
29 The limited spirits retail licensee must report these sales and the  
30 funds must be designated as mitigation fee funds. The board must  
31 establish rules setting forth the frequency and timing of such  
32 payments and reporting of sales dollar volume by the licensee, with  
33 payments due quarterly in arrears. The board must process and  
34 distribute mitigation fee funds paid under this section in the same  
35 manner and subject to the same regulations as the mitigation fees  
36 established in section 2 of this act.

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

39 ~~((4))~~) (3) In addition to the payment set forth in subsection  
40 ~~((3))~~) (2) of this section, each spirits distributor licensee



1 renewing its annual license must pay an annual license renewal fee of  
2 one thousand three hundred twenty dollars for each licensed location.

3 ~~((5))~~ (4) There is no minimum facility size or capacity for  
4 spirits distributor licenses, and no limit on the number of such  
5 licenses issued to qualified applicants. License applicants must  
6 provide physical security of the product that is substantially as  
7 effective as the physical security of the distribution facilities  
8 currently operated by the board with respect to preventing pilferage.  
9 License issuances and renewals are subject to RCW 66.24.010 and the  
10 regulations promulgated thereunder, including without limitation  
11 rights of cities, towns, county legislative authorities, the public,  
12 churches, schools, and public institutions to object to or prevent  
13 issuance of local liquor licenses. (~~However, existing distributor~~  
14 ~~premises licensed to sell beer and/or wine are deemed to be premises~~  
15 ~~"now licensed" under RCW 66.24.010(9)(a) for the purpose of~~  
16 ~~processing applications for spirits distributor licenses.~~)

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