
Regulated Substances & Gaming Committee

HB 1016

Brief Description: Establishing a wine retailer shipper's permit.

Sponsors: Representatives Chapman, Volz and Goodman.

Brief Summary of Bill

- Establishes a wine retailer shipper's permit authorizing the shipment of wine by an out-of-state wine retailer to customers in Washington.
- Imposes requirements related to the sale and shipment of wine to customers by wine retailers that are: (1) licensed in another state to sell wine at retail and obtain the new wine retailer shipper's permit; or (2) are in-state wine retailers licensed in Washington.
- Grants the Liquor and Cannabis Board and the Department of Revenue rule-making authority to implement the new permit and requirements.

Hearing Date: 1/9/23

Staff: Peter Clodfelter (360) 786-7127

Background:

Certain liquor licenses and permits issued by the Liquor and Cannabis Board (LCB) authorize the sale and shipment of alcohol products directly to customers pursuant to statute or rule. Statutes authorize in-state and out-of-state wineries to ship wine directly to customers. An out-of-state winery must first obtain a wine shipper's permit (\$100) issued by the LCB or hold a certificate of approval issued by the LCB and otherwise qualify for a wine shipper's permit.

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.

Out-of-state wineries holding a wine shipper's permit to sell and ship wine directly to Washington customers must comply with requirements including operating a winery in the United States, providing the LCB with a copy of its valid winery license issued by another state, certifying that it holds all state and federal licenses and permits necessary to operate a winery, and registering with the Department of Revenue. Holders of a wine shipper's permit must also pay the wine tax for sales of wine to Washington residents, and must collect and remit all applicable state and local sales and use taxes on sales of wine to Washington buyers.

Wine is taxed when sold by wineries to distributors, when sold directly to customers on the winery premises, or when sold and shipped by a winery to customers or retailers. For table wines the total wine tax rate per liter is \$0.2292. For fortified wines (more than 14 percent alcohol by volume) the total wine tax rate per liter is \$0.4536. For cider, the total wine tax rate per liter is \$0.0814. Cider is classified as table wine with alcohol content between 0.5 percent and 8.5 percent by volume made from apples or pears.

An in-state winery or an out-of-state winery with a wine shipper's permit must clearly label all wine cases or outside shipping packages of wine sent into or out of Washington to indicate that the package cannot be delivered to a person under 21 years of age or to an intoxicated person. The winery must ensure that the private carrier used to deliver wine obtains the signature of the person who receives the wine upon delivery, verifies the age of the recipient, and verifies that the recipient does not appear intoxicated at the time of delivery. Holders of a wine shipper's permit are deemed to have consented to the jurisdiction of Washington concerning enforcement of applicable laws and rules.

Additional liquor licensees in Washington with the privilege to sell and ship alcohol products directly to customers pursuant to the LCB's rules include but are not limited to breweries, distilleries, grocery stores, beer and wine specialty shops, spirits retailers, and beer and wine gift delivery licensees. The LCB's rules include requirements on which individuals may accept and process orders and payments, permissible delivery locations, the hours of delivery, age verification requirements for the delivery person, a prohibition on delivering liquor to any person who shows signs of intoxication, permissible containers and packages and their labeling, record retention, and licensee accountability. The LCB may impose administrative enforcement action upon a licensee, or suspend or revoke a licensee's delivery privileges if a licensee violates a requirement.

Summary of Bill:

A wine retailer shipper's permit is established as a new liquor permit to be issued by the Liquor and Cannabis Board (LCB). The annual permit fee is \$100. The LCB may adopt rules with procedures for obtaining the permit. Before wine may be shipped by a retailer authorized to sell wine at retail in Washington or any other state, the retailer must either be licensed to sell wine at retail in Washington or obtain the newly established wine retailer shipper's permit.

An applicant for a wine retailer shipper's permit must annually provide the LCB with a copy of

the applicant's valid license to sell wine at retail issued by the other state and must register with the Department of Revenue (DOR). Holders of a wine retailer shipper's permit, as well as retailers licensed to sell wine at retail in Washington, must comply with the following requirements when selling and shipping wine to customers:

- they must pay Washington wine tax for sales of wine to Washington residents;
- they must collect and remit applicable state and local sales and use taxes to the DOR;
- they must not ship to an address in any area in Washington that prohibits the sale of alcohol;
- they must label the outside of all shipping boxes of wine with the statement, "CONTAINS ALCOHOL: SIGNATURE OF PERSON AGE 21 OR OLDER REQUIRED FOR DELIVERY";
- they must report annually to the LCB on the total amount of wine shipped in Washington during the preceding calendar year;
- they must allow the LCB to audit shipping records;
- they must consent to the jurisdiction of the LCB, any other state agency, and Washington courts concerning enforcement of the new requirements; and
- upon delivery of a wine shipment, they must require an in-person signature from a person with a valid identification showing the person is 21 years of age or older.

Both the LCB and the DOR are granted rule-making authority to implement the new wine shipper's permit and related requirements.

Appropriation: None.

Fiscal Note: Requested on January 3, 2023.

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