

SENATE BILL REPORT

ESHB 1731

As Reported by Senate Committee On:
Labor & Commerce, March 21, 2023

Title: An act relating to complimentary liquor by short-term rental operators.

Brief Description: Concerning complimentary liquor by short-term rental operators.

Sponsors: House Committee on Regulated Substances & Gaming (originally sponsored by Representatives Waters, Stonier, Klicker, Low, Couture, Chambers, Ybarra, Barnard, Schmidt, McClintock, Santos and Hutchins).

Brief History: Passed House: 3/3/23, 90-7.

Committee Activity: Labor & Commerce: 3/20/23, 3/21/23 [DP, w/oRec].

Brief Summary of Bill

- Establishes a new, annual liquor permit, with an associated \$75 fee, to be issued by the Liquor and Cannabis Board to a short-term rental operator, allowing the operator to provide one complimentary bottle of wine to rental guests who are at least 21 years old, under certain conditions.
- Requires permit fees collected from the new permit to be deposited into the Statewide Tourism Marketing Account.

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass.

Signed by Senators Keiser, Chair; Saldaña, Vice Chair; King, Ranking Member; Braun, MacEwen, Robinson and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Conway, Vice Chair; Stanford.

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: Matt Shepard-Koningsor (786-7627)

Background: Liquor Licenses and Permits. The Liquor and Cannabis Board (LCB) issues a variety of liquor licenses and permits authorizing the service, sale, or use of alcoholic beverages in different circumstances.

Permits. Examples of available permits include a banquet permit, a permit for an event held at a business without a liquor license, a permit for nonprofit organizations to auction wine, and a permit for bed and breakfast lodging facilities. After paying a \$75 annual fee and receiving the applicable permit, a bed and breakfast lodging facility may donate or serve wine or beer for free to overnight guests of the facility if the wine or beer is for consumption on the premises. A bed and breakfast lodging facility means a facility offering from one-to-eight lodging units and breakfast to travelers and guests. Fees from liquor licenses and permits are deposited into the Liquor Revolving Fund.

Wine Distributor License. After paying a \$600 annual fee and receiving the applicable license, a wine distributor may sell and export wine purchased from licensed Washington wineries, wine certificate of approval holders, licensed wine importers, or suppliers of foreign wine located outside of the U.S. to licensed wine retailers and other wine distributors.

Short-Term Rentals. A 2019 law regulating short-term rentals defines "short-term rental" as a lodging use, that is not a hotel, motel, or bed and breakfast, in which a dwelling unit, or portion of a dwelling unit, that is offered or provided to a guest by a short-term rental operator for a fee for fewer than 30 consecutive nights. Short-term rental does not include:

- a dwelling unit that is occupied by the owner for at least six months during the calendar year and in which fewer than three rooms are rented at any time;
- a dwelling unit, or portion of a dwelling unit, used by the same person for 30 or more consecutive nights; or
- a dwelling unit, or portion of a dwelling unit, operated by an organization or government entity registered as a charitable organization with the Washington Secretary of State, state of Washington, or classified by the federal Internal Revenue Service as a public charity or a private foundation, and provides temporary housing to individuals who are being treating for trauma, injury, or disease, or their family members.

Additionally, "operator" is defined as any person who receives payment for owning or operating a dwelling unit, or portion of a dwelling unit, as a short-term rental unit. "Guest" is defined as any person or persons renting a short-term rental unit.

Statewide Tourism and Marketing Account. In 2018, as part of the Statewide Tourism and Marketing Act, the Legislature created the Statewide Tourism and Marketing Account (Account), which is funded by a percentage of taxes collected on retail sales of lodging, car rentals, and restaurants. The Account is appropriated and expenditures may be used only by

the Department of Commerce for purposes of implementing the statewide tourism marketing program and operation of the Tourism Marketing Authority. A two-to-one nonstate or state fund, other than the state general fund, match must be provided for all expenditures from the Account.

Summary of Bill: Liquor Licenses and Permits. *Permit.* LCB may issue an annual special permit, after collecting a \$75 fee, allowing a short-term rental operator to provide one complimentary bottle of wine to rental guests who are at least 21 years old. A single permit applies to all rental properties owned or operated by the short-term rental operator and identified in the permit application.

One complimentary bottle of wine per booking may be provided regardless of the total number of rental guests and may only be provided after an operator or staff person of the short-term rental, who is present at the property, verifies that each rental guest who will consume the wine is at least 21 years old by checking their identification at the time of arrival. The guests must be informed of the complimentary wine bottle and that opening or consuming it in a public place is illegal and must not have declined it. The wine bottle may be consumed on, or removed from, the rental property premises. A permit holder may purchase wine from licensed wine distributors and other authorized wine retailers and suppliers.

For the purposes of the new liquor permit, the terms "short-term rental," "operator," and "guest" have the same meanings provided in the short-term rental laws.

Wine Distributor License. Licensed wine distributors may sell wine to holders of annual special permits.

Statewide Tourism and Marketing Account. All receipts from fees collected on annual special permits issued to short-term rental operators must be deposited into the Account instead of the Liquor Revolving Fund.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill allows our short-term rentals to provide a service with specific guardrails. The short-term rental operator must ensure the guests like the wine before providing it, and they must check their I.D. The money received goes to tourism.

CON: There are some severe functionality concerns with this bill even after being improved in the House. We are talking about innkeepers not bartenders or people who are professionally-trained to read identification. There is nothing in the bill requiring the short-term rental operators to be trained. At least half of the \$75 fee should go toward LCB enforcement and training. This bill is unnecessary and creates a new class of licensees.

OTHER: LCB was available to answer questions.

Persons Testifying: PRO: Representative Kevin Waters, Prime Sponsor.

CON: Scott Waller, WASAVP - Prevention First! for Safe and Healthy Communities.

OTHER: Marc Webster, Liquor and Cannabis Board.

Persons Signed In To Testify But Not Testifying: No one.