

SENATE BILL REPORT

SB 6485

As Reported by Senate Committee On:
Labor, Commerce & Consumer Protection, February 2, 2010

Title: An act relating to craft distilleries.

Brief Description: Modifying craft distillery provisions.

Sponsors: Senators Marr, King, Kohl-Welles, Hewitt, Hatfield, Delvin, Hobbs and Rockefeller.

Brief History:

Committee Activity: Labor, Commerce & Consumer Protection: 1/28/10, 2/02/10 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 6485 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Franklin, Honeyford, King and Kline.

Staff: Mac Nicholson (786-7445)

Background: Individuals seeking to distill spirits in Washington must obtain a license from the Liquor Control Board (LCB). The annual fee for a distillery license is \$2,000 and for a craft distillery the fee is \$100. To qualify as a craft distillery, the distiller must produce no more than 20,000 gallons of spirits with at least half of the raw materials used in the production grown in Washington. Craft distilleries can only sell spirits of their own production to on-premise customers, the LCB, and out-of-state entities. Craft distilleries are not authorized to sell spirits directly to in-state retailers, distributors, or manufacturers.

A grower's license is a type of manufacturer's license that allows the licensee to sell wine that is made from his or her own grapes or other agricultural product. Under a grower's license, the owner of the agricultural product contracts for the manufacturing of wine from the grower's own product, which the grower can then sell in bulk to licensed wineries or distilleries, or export out-of-state.

Under state law, an industry member cannot advance, and a retailer cannot receive, money or moneys' worth. The provision of personal services, including pouring and dispensing of liquor by manufacturers, generally falls within the moneys' worth prohibition. A number of

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exemptions to the moneys' worth prohibition have been granted, including a provision allowing breweries and wineries to pour and dispense beer or wine for special occasion licensees at tasting exhibitions or judging events, and a provision allowing wineries to perform personal services for retailers.

Summary of Bill (Recommended Substitute): The amount of spirits a craft distillery can distill is increased from 20,000 to 60,000 gallons.

Craft distilleries may contract distilled spirits for, and sell contract distilled spirits to, holders distillery or manufacturers licenses, or for export.

The holder of a grower's license may contract for the manufacturing of spirits from the grower's own agricultural products and sell the spirits in bulk to a licensed winery, distillery, or export them out-of-state.

Domestic distillers, or their accredited representatives, may pour or dispense spirits for a special occasion licensee.

EFFECT OF CHANGES MADE BY LABOR, COMMERCE & CONSUMER PROTECTION COMMITTEE (Recommended Substitute): The substitute removes domestic wineries from the list of licensed entities who can contract with a craft distillery to distill spirits, and allows domestic distillers or their accredited representatives to pour or dispense spirits at a special occasion event.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: Craft distilleries are growing in Washington and this bill gives them the ability to meet market needs. The ability to pour at special events should be extended to all distilleries, not just craft distilleries. A distiller makes a significant investment to get up and running, and the cap should be raised to allow them to sell more product. The 60,000 gallon cap puts Washington in-line with other states.

OTHER: The LCB has no opposition to the bill; however, a provision in section two needs to be clarified. Entities need the appropriate license or permit to contract for distilled spirits. Domestic wineries are not permitted to deal in spirituous liquors unless they have the appropriate license; so, the language in the bill should be corrected.

Persons Testifying: PRO: Carrie Tellefson, Distillery Representatives Association of Washington; John Koehler, Eagle Cliffs Distillery; Jane Scrivanich, Soft Tail Spirits.

OTHER: Alan Rathbun, Liquor Control Board.