

# HOUSE BILL REPORT

## SSB 6226

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**As Passed House:**  
March 6, 2014

**Title:** An act relating to sales by craft and general licensed distilleries of spirits for off-premise consumption and spirits samples for on- premise consumption.

**Brief Description:** Concerning sales by craft and general licensed distilleries of spirits for off-premise consumption and spirits samples for on-premise consumption.

**Sponsors:** Senate Committee on Commerce & Labor (originally sponsored by Senators Holmquist Newbry, King, Conway, Hewitt and Kohl-Welles).

**Brief History:**

**Committee Activity:**

Government Accountability & Oversight: 2/24/14 [DP].

**Floor Activity:**

Passed House: 3/6/14, 93-1.

**Brief Summary of Substitute Bill**

- Increases the annual spirits production limit for craft distillers from 60,000 gallons to 150,000 gallons.
- Eliminates the 3 liter per day per person limit on the sale of spirits by a craft distiller for off-premises consumption.
- Authorizes a craft distillery to charge customers a fee for spirits samples of 0.5 ounce or less served to them on premises.
- Authorizes any licensed distillery to: sell spirits of its own production for consumption off the premises; contract with, and sell spirits to, other licensed distillers and manufacturers; and provide for free, or for a charge, spirits samples of 0.5 ounce or less to customers on the premises, subject to a daily maximum of 2 ounces per person per day.
- Requires a distillery that sells spirits for off-premises consumption to comply with all laws and regulations applicable to liquor retailers.

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**HOUSE COMMITTEE ON GOVERNMENT ACCOUNTABILITY & OVERSIGHT**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** Do pass. Signed by 9 members: Representatives Hurst, Chair; Wylie, Vice Chair; Condotta, Ranking Minority Member; Holy, Assistant Ranking Minority Member; Blake, Kirby, Moscoso, Shea and Vick.

**Staff:** Thamas Osborn (786-7129).

**Background:**

Distilleries and Craft Distilleries.

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 60,000 gallons of spirits, with at least half of the raw materials used in the production grown in Washington. Craft distilleries can sell spirits of their own production for consumption off the premises in amounts up to 3 liters per person per day. They may also provide free spirits samples of 0.5 ounce or less, up to a maximum of 2 ounces per day per person, to persons on the distillery premises. Craft distilleries may not sell spirits directly to in-state retailers, distributors, or manufacturers.

Distilleries not licensed as a craft distillery may not sell spirits to the public for off-premises consumption nor may they provide free samples of spirits to customers.

"Spirits" means any beverage which contains alcohol obtained by distillation, except flavored malt beverages, and includes wines exceeding 24 percent alcohol by volume.

Spirits Supplier Regulations.

A distiller producing less than 60,000 gallons per year of spirits may not act as a spirits "supplier" and, therefore, cannot enter into distribution contracts with wholesale distributors. This prohibition also applies to authorized representatives of one or more distillers which, in aggregate, produce less than 60,000 gallons of spirits per year.

Special Occasion Licensees.

Nonprofit organizations can currently be issued a retailer's special occasion license to sell spirits, beer, and wine by the individual serving for on-premises consumption at specified events. The date and place must be specified. The fee for a special occasion license is \$60 per day. Sales are limited to no more than 12 calendar days per year for such events. Exceptions to the 12 calendar day limit are allowed for qualifying agricultural county and area fairs.

**Summary of Bill:**

Craft Distillery Regulations.

The annual spirits production limit for craft distillers is increased from 60,000 gallons to 150,000 gallons. Accordingly, to qualify as a craft distiller, a distiller must produce no more than 150,000 gallons of spirits annually, with at least half of the raw materials used in production grown in Washington.

The 3 liter per person per day limit on the sale of spirits by a craft distiller for off-premises consumption is eliminated. Therefore, sales of spirits to individuals by craft distillers for off-premises consumption are no longer subject to limitations. In addition, a craft distillery may charge customers a fee for spirits samples of 0.5 ounce or less served to them on premises.

Regulations Applicable to all Distilleries.

Any licensed distillery may:

- sell spirits of its own production for consumption off the premises;
- contract with, and sell spirits to, other licensed distillers and manufacturers; and
- provide for free, or for a charge, spirits samples of 0.5 ounce or less to customers on the premises, subject to a daily maximum of 2 ounces per person per day.

A distillery that sells spirits for off-premises consumption must comply with all laws and regulations applicable to liquor retailers.

Distilleries and Special Occasion Licensees.

Special occasion licensees are authorized to pay for spirits immediately following the special occasion event. Also, a special occasion licensee is authorized to charge reasonable booth fees to a distillery participating in the event.

**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) This is a good bill that will be of major benefit to licensed distillers. Although the industry is seeing remarkable growth, it is still difficult for distilleries to survive. The provisions of this bill will be a great help, especially for the small distillers. Eliminating restrictions on retail sales and allowing customers to be charged for samples will provide much needed sources of additional revenue. Also, charging for samples will serve to discourage some customers who visit multiple distilleries looking for free drinks. The bill will also have the effect of encouraging customers to be adventurous and to try unfamiliar types of spirits. This, in turn, will contribute to the development of a diverse range of spirits products manufactured in this state. This is a growing industry that already yields significant tax revenues. Washington currently has 83 distillers, which is more than any other state in the nation. Last year distillers paid \$16 million in state taxes.

(Opposed) None.

**Persons Testifying:** Kathryn Hedrick and Will Mashmeir, Washington Distillers Guild; and John Bourdon, Sandstone Distillery.

**Persons Signed In To Testify But Not Testifying:** None.