

HOUSE BILL REPORT

HB 1651

As Reported By House Committee On:

Commerce & Labor

Title: An act relating to the sale of malt liquor in kegs.

Brief Description: Authorizing the sale of malt liquor in untapped kegs by class H licensees.

Sponsors: Representatives Scott, Costa, Conway and Hatfield.

Brief History:

Committee Activity:

Commerce & Labor: 2/19/97, 2/26/97 [DP].

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 7 members: Representatives McMorris, Chairman; Honeyford, Vice Chairman; Conway, Ranking Minority Member; Wood, Assistant Ranking Minority Member; Boldt; Hatfield and Lisk.

Minority Report: Without recommendation. Signed by 2 members: Representatives Clements and Cole.

Staff: Pam Madson (786-7166).

Background: Under the state's system of licensing the sale of alcohol, a Class H licensee may sell alcohol, including beer and wine, by the drink to the public for consumption on the premises of the licensee. Class H licensees are typically restaurants with cocktail lounges where food is served along with alcohol. A Class H licensee may not hold any other retail license and may not sell alcohol in a closed container to be consumed away from the licensee's premise.

Taverns may sell beer to the public to be consumed on the premises (Class B license), or may sell beer to be taken off the premises in a closed container to be consumed elsewhere (Class E license). Under a Class B license, access to the premises is restricted to persons 21 years of age or older.

Restaurants, such as pizza parlors, may sell beer to the public to be consumed on the premises (Class A license) and may also sell beer to be taken off the premises for consumption (Class E).

Only Class A and Class B licensees (on-premises consumption) that also hold a Class E license (off-premises consumption) may sell malt liquor in kegs or other containers that hold at least four gallons. Class H licensees may not hold Class E licenses (off-premises consumption) and may not sell beer in kegs.

Summary of Bill: Liquor licensees who convert their Class AE or BE combination licenses allowing the sale of beer for consumption on or off the premises including kegs to Class H licenses may continue to sell beer in untapped kegs if authorized by the Liquor Control Board. This provision applies to licensees who converted after January 1, 1993.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Tavern owners who converted their liquor licenses to Class H restaurant licenses can no longer sell kegs under that license. Taverns are allowed to sell kegs to the public and have the facilities to handle the storage of kegs. There is customer demand for the sale of kegs but the restaurant licensee must send the customer to other establishments. Owners are asking that they be able to operate under the restaurant license as they did under their tavern license. The bill was vetoed last session and the Liquor Control Board was asked to look into it. Businesses are struggling and need ways to stay in business.

Testimony Against: Restaurants that sell liquor at the establishment have not been able to sell it for off-premise consumption in 80 years. Recently several taverns have converted from tavern licenses to restaurant licenses, moving from primarily being beverage industries to being food industries. Taverns are restricted to customers over the age of 21 years. The board sees a conversion as a move from a beverage business to a family oriented food service business. The sale of large quantities of beer is not traditionally part of the restaurant industry. Allowing an exception for the sale of kegs may be the first step in destroying the integrity of the historical Class H license. Making a major change in the way licenses are treated requires more analysis of the need for that kind of change. The board is looking at changing the entire licensing structure. This change is not appropriate now. The restaurant industry is a food industry first and a beverage industry second. Any business that converts knows that keg sales would not be allowed and that should have been part of their business decision.

Testified: (Pro) Representative Pat Scott, prime sponsor; and Gregg Ortega, Washington State Licensed Beverage Association. (Con) Nate Ford, Liquor Control Board; and Kit Hawkins, Restaurant Association of Washington.