

HOUSE BILL REPORT

HB 3192

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to alcoholic beverage regulation.

Brief Description: Regarding alcoholic beverage regulation.

Sponsors: Representatives Wood, Conway and Condotta.

Brief History:

Committee Activity:

Commerce & Labor: 1/31/08, 2/1/08 [DPS].

Brief Summary of Substitute Bill

- Expands activities permitted under a bonded wine warehouse license issued by the Liquor Control Board to include handling of wine.
- Allows wineries to sell their wine for on-premises consumption at off-site locations.
- Allows breweries and microbreweries to have up to two on- or off-premises restaurant or tavern licenses.
- Allows microbreweries to contract-produce beer for another microbrewer.
- Allows restaurants to sell any wine for off-premises consumption.
- Modifies provisions related to service of liquor under a hotel license.
- Allows wineries and breweries to donate wine or beer to a 501(c)(6) organization.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking

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.

Minority Member; Chandler, Assistant Ranking Minority Member; Crouse, Green, Moeller and Williams.

Staff: Joan Elgee (786-7106).

Background:

The Liquor Control Board (Board) licenses liquor manufacturers, distributors, retailers, and others. Each license type permits different activities.

A bonded wine warehouse license authorizes the storage of bottled wine off the premises of a winery. Wine may be removed from a bonded wine warehouse only to be exported, shipped to a distributor, or returned to a winery or bonded wine warehouse. In 2006 the Legislature authorized domestic wineries and out-of-state wineries to ship wine to Washington residents age 21 or older.

A winery may have up to two locations separate from its manufacturing site where the winery may serve samples and sell wine of its own production at retail for off-premises consumption.

Breweries and microbreweries that also hold a license for a spirits, beer, and wine restaurant or a beer and/or wine restaurant on the brewery premises may hold a second license for a licensed restaurant off the premises. Microbreweries may hold a license to operate a tavern on its premises.

Breweries may contract-produce beer for a brand owner of malt beverages.

The holder of a spirits, beer, and wine restaurant license may apply for an endorsement to sell wine vinted and bottled in Washington and with a label exclusive to the restaurant for off-premises consumption.

Legislation passed in 2007 created a new hotel license. The license, to take effect on July 1, 2008, allows the sale of spirits, beer, and wine by the glass at dining places in the hotel. A hotel license also allows the sale of spirits, beer, and wine in the manufacturer's sealed container or by the individual drink to guests through room service and to occupants of private residential units.

The giving away of liquor by a manufacturer is generally prohibited. One exception allows a winery or brewery to donate wine and beer, respectively, to a nonprofit charitable corporation or association exempt from taxation under section 501(c)(3) of the Internal Revenue Code. Section 501(c)(6) exempts from taxation qualified trade associations, chambers of commerce, and others.

Summary of Substitute Bill:

The activities permitted under a bonded wine warehouse license are expanded to include the handling of bottled wine. Handling includes packing and repackaging services; labeling services; creating baskets or variety packs; and picking, packing, and shipping wine orders

direct to a consumer. Wine may be removed from a bonded wine warehouse to be directly shipped to a consumer. A winery contracting with a bonded wine warehouse for handling services must comply with all applicable state and federal laws and is responsible for financial transactions in direct-to-consumer shipping activities.

Wineries with additional locations for sampling and sale of its own product may sell wine for on-premises, in addition to off-premises, consumption. Persons selling or serving wine at the additional locations must obtain an alcohol server permit. If an additional location is operated by multiple wineries, and an overservice or service to a minor violation occurs that the Board cannot connect to a single licensee, the Board may hold all licensees jointly liable.

Breweries and microbreweries may hold up to two licenses for an on- or off-premises spirits, beer, and wine restaurant, beer and/or wine restaurant, or tavern.

A microbrewery may contract-produce beer for another microbrewery.

The holder of a spirits, beer, and wine restaurant license with an endorsement to sell bottled wine is no longer limited to selling Washington wine with an exclusive label, but may sell any bottled wine for off-premises consumption.

The limitation to "dining places" for the sale of spirits, beer, and wine for on-premises consumption at hotels is removed. The occupants of private residential units who may receive service of liquor from a hotel are specified to be occupants of units which are part of the buildings or complex of buildings that include the hotel.

Wineries and breweries may donate wine and beer, respectively, to corporations or associations exempt from taxation under section 501(c)(6) of the Internal Revenue Code.

Substitute Bill Compared to Original Bill:

The substitute bill clarifies that a winery contracting with a bonded wine warehouse must comply with all laws, not limited to laws related to direct-to-consumer activities, and is responsible for financial transactions in direct-to-consumer shipping activities. In addition, the substitute bill adds the server training requirement for additional locations off the premises of a winery and allows the Board to hold licensees jointly liable for liquor violations at the additional locations if the Board cannot connect a violation to a licensee. Regarding the hotel license, the substitute bill specifies that the private residential unit occupants who may receive liquor service are occupants of units which are part of the buildings or complex of buildings that include the hotel. The provisions relating to brewery and microbrewery licenses are reorganized and breweries and microbreweries operating as taverns are granted the same privileges as taverns.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed, except sections 7 and 9 which reinstate prior law related to brewery and microbrewery restaurant or tavern licenses after a scheduled expiration and take effect June 30, 2008; section 3 which reinstates prior law related to alcohol server permits after a scheduled expiration and takes effect July 1, 2008; and sections 10 and 11, relating to sale of wine by restaurants for off-premises consumption and hotel licenses, which take effect July 1, 2008.

Staff Summary of Public Testimony:

(In support) The activities in this omnibus bill are an adjunct to our agricultural industry. This bill has been worked over the interim. These are small fixes to our tied-house laws.

Wineries want to focus on their core competencies while warehouses can provide fulfillment services. Some of the smaller wineries want to be able to package their wine away from their premises. This bill will enable us to put 50 people with disabilities to work at a warehouse doing value-added activities. There is a technical amendment for this section to make clear that the winery retains responsibility for all laws and the financial transactions with consumers. Another section allows on-premises consumption. Wineries are using tasting rooms as wine bars and not just as retail sales fronts. There are two amendments to this section: one to require server training courses, and another to let the Board hold licensees jointly liable for shared tasting locations.

Regarding restaurants, the bill would remove the private label restriction and allow a restaurant to sell any wine that is on its menu. Restaurant associations and chapters would also like to be able to accept donations of wine and beer that are consistent with the purposes of their 501 (c)(6) designation.

With respect to microbreweries, the bill allows microbreweries to have a tavern license off the premises. It also allows a brewery to have the two retail locations off the premises, as a brewery may not be in a desirable location to have a restaurant on the brewery premises. The contract brewer provision will allow a larger brewery to do some of the work for a smaller brewery.

(Neutral) The Board has worked with the proponents on specific changes and is comfortable with the bill. The bill extends what we have been doing the last few years. It would allow breweries to have restaurants and allow restaurants to do more off-premises sales.

(Opposed) None.

Persons Testifying: (In support) Representative Wood, prime sponsor; Michael Transue, Washington Restaurant Association; Jean Leonard, Washington Wine Institute; and Arlen Harris, Washington Brewers Guild.

(Neutral) Rick Garza, Washington State Liquor Control Board.

Persons Signed In To Testify But Not Testifying: None.