

HOUSE BILL REPORT

SSB 6485

As Passed House - Amended:

March 3, 2010

Title: An act relating to craft distilleries.

Brief Description: Modifying craft distillery provisions.

Sponsors: Senate Committee on Labor, Commerce & Consumer Protection (originally sponsored by Senators Marr, King, Kohl-Welles, Hewitt, Hatfield, Delvin, Hobbs and Rockefeller).

Brief History:

Committee Activity:

Commerce & Labor: 2/17/10, 2/23/10 [DPA].

Floor Activity:

Passed House - Amended: 3/3/10, 96-2.

Brief Summary of Substitute Bill (As Amended by House)

- Increases the gallon threshold to qualify as a craft distillery from 20,000 to 60,000 gallons.
- Allows craft distillers to contract distill spirits for specified other licensees, including growers.
- Allows distillers to provide pouring or dispensing of spirits for a special occasion licensee.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended. Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Chandler, Crouse, Green, Moeller and Williams.

Staff: Joan Elgee (786-7106).

Background:

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.

Persons engaged in the distilling of spirits in the state must obtain a license from the Liquor Control Board (Board). A craft distillery is a distillery producing 20,000 gallons or less of spirits with at least half of the raw materials used in the products grown in Washington. The annual fee for a distillery license is \$2,000 and for a craft distillery the fee is \$100.

Craft distilleries may sell spirits of their own production to customers and the Board. Craft distilleries may not sell spirits directly to in-state retailers, distributors, or manufacturers. Craft distilleries may provide one-half ounce or less samples of spirits, up to two ounces per day, to persons on the distillery premises.

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 products. 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 may then sell in bulk to licensed wineries or distilleries, or export out-of-state.

The liquor tied house law prohibits a liquor manufacturer or distributor from providing "moneys' worth" to a retailer. A number of exceptions have been granted, including an exception allowing breweries and wineries to pour and dispense beer or wine for special occasion licensees at tasting exhibitions or judging events. Another exception allows wineries to perform pouring, bottle-signing, and other personal services for certain retailers, including special occasion licensees.

Summary of Amended Bill:

The volume of spirits a craft distillery may distill is increased from 20,000 to 60,000 gallons.

Craft distilleries may contract distilled spirits for, and sell contract distilled spirits to, holders of distillery or manufacturer licenses, including grower licenses, or for export.

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

An exception to the "moneys' worth" law is created to allow pouring or dispensing of spirits by a distiller or the authorized representative of a distiller, manufacturer, or importer of spirits for a special occasion licensee.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) In 2008 the craft distiller bill passed. Craft distilling is a phenomena across the nation. There are 26 craft distillers licensed or with a license pending in Washington. Wheat whiskey has turned into a big deal. The original 20,000 gallon threshold was somewhat arbitrary and one craft distiller will hit the limit this year. Contract distilling creates an opportunity to use agricultural products in spirits. There is no state subsidy for these businesses.

(Available for questions) Available for questions.

(Opposed) None.

Persons Testifying: (In support) Senator Marr, prime sponsor; and Carrie Tellefson, Distillery Representatives Association of Washington.

(Available for questions) Karen McCall, Washington State Liquor Control Board.

Persons Signed In To Testify But Not Testifying: None.