
Commerce & Gaming Committee

HB 1975

Brief Description: Exempting distillers from certain licensing fees.

Sponsors: Representatives Blake, Hurst and Vick.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Exempts a distiller/rectifier licensee that engages in retail sales of spirits from payment of the spirits retail license issuance fee.

Hearing Date: 2/9/15

Staff: Thamas Osborn (786-7129).

Background:

Licensed 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 150,000 gallons of spirits, with at least half of the raw materials used in the production grown in Washington.

In addition to distilling spirits, a licensed distiller may engage in blending, rectifying, and bottling. "Rectifying" is a term of art that generally refers to a process involving the blending or mixing of other ingredients with distilled spirits.

Any licensed distillery may sell spirits of its own production for consumption off the premises. However, any distillery that sells spirits for off-premises consumption must comply with all laws and regulations applicable to spirits retailers.

Spirits Retail Licensees.

Private businesses licensed by the LCB to sell spirits at the retail level are designated as "spirits retail licensees." Such licensees generally fall into two categories: (1) grocery stores and other

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large retail establishments encompassing at least 10,000 feet of retail space; and (2) smaller liquor stores that are either former state-owned liquor stores or former "contract liquor stores" that sold liquor on behalf of the state pursuant to contracts with the LCB prior to the passage of Initiative Measure No. 1183 in 2011.

All spirits retail licensees are required to pay an annual license issuance fee to the LCB. Large spirits retail licensees, with retail space exceeding 10,000 square feet, must pay a license issuance fee equivalent to 17 percent of all spirit sales revenues. Beginning on June 30, 2013, former state liquor stores and former contract liquor stores were granted a limited exemption from the payment of the 17 percent license issuance fee for specified types of spirits sales. Specifically, such stores are exempt from payment of the 17 percent fee with respect to spirits sales to those retailers licensed to sell spirits for consumption on the premises (i.e., bars and restaurants).

Craft distilleries that engage in retail sales of spirits for off-premises consumption are not required to pay the spirits retail license issuance fee.

Summary of Bill:

The holder of a distiller/rectifier license that engages in retail sales of spirits for off-premises consumption is exempt from the spirits retail license issuance fee.

Appropriation: None.

Fiscal Note: Not requested.

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