

# SENATE BILL REPORT

## SB 5834

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As of February 20, 2017

**Title:** An act relating to licensing of bonded spirits warehouses.

**Brief Description:** Concerning the licensing of bonded spirits warehouses.

**Sponsors:** Senator Baumgartner.

**Brief History:**

**Committee Activity:** Commerce, Labor & Sports: 2/16/17.

**Brief Summary of Bill**

- Creates a new license for bonded spirits warehouses.
- Authorizes certain licensed distilleries and industry members to maintain a warehouse, off the distillery premises, for the storage or distribution of any spirits.

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### SENATE COMMITTEE ON COMMERCE, LABOR & SPORTS

**Staff:** Richard Rodger (786-7461)

**Background:** Any licensed distiller may act as a retailer of spirits of its own production or as distributor to retailers selling for consumption on or off the licensed premises.

Any manufacturer, importer, or bottler of spirits holding a certificate of approval may also act as a distributor of spirits it is entitled to import into the state. The Liquor and Cannabis Board (LCB) issues a spirits certificate of approval license to certain spirits manufacturers located, outside of the state of Washington, but within the United States.

A liquor industry member who is authorized to operate as a distributor may maintain a warehouse, off the distillery premises, for the distribution of spirits of its own production to spirits retailers within the state. The warehouse must be within the United States and be approved by the board.

**Summary of Bill:** A new license is created for bonded spirits warehouses that authorizes the storage and handling of bulk, barreled, or bottled spirits. The warehouse may be located off

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the premises of certain specified distillers or licensed entities. The bulk or barreled spirits transferred into the state may only be stored in the warehouse. The warehouse may not be used for processing or bottling the spirits. Bottled spirits shipped to the warehouse must remain under bond and may not be taxed while in storage.

Certain persons and entities may hold a spirits warehouse license. The LCB must adopt rules requiring a bonded spirits warehouse to be physically secure, zoned for the intended use, and physically separated from any other use.

Spirits may be removed from a bonded spirits warehouse for purposes of being: (1) exported from the state, (2) shipped to a licensed Washington spirits distributor, (3) shipped to a licensed spirits retailer, (4) returned to a distillery or bonded spirits warehouse, (5) transferred to a distillery, bonded spirits warehouse, or bottling or packaging facility, or (6) shipped to a consumer.

A distillery may contract with a bonded spirits warehouse for handling bottled spirits. Handling may include: (1) packaging and repackaging services, (2) bottle labeling services, (3) creating baskets or variety packs, and (4) picking, packing, and shipping spirits orders direct to consumer.

Certain licensed distilleries and industry members may maintain a warehouse off the distillery premises for the storage or distribution of any spirits, not just those of their own production.

**Appropriation:** None.

**Fiscal Note:** Requested on February 15, 2017.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: We want this bill because the LCB recently took an enforcement action against one of our distillers for storing spirits, off the distillery premises, at a federally licensed site. The LCB does not have a license for this type of storage, so we need the bill to clarify the laws. The good news is that the distilleries are growing industries and don't have enough space on their properties to store their products.

OTHER: The LCB wasn't aware that the site at issue in the enforcement action was federally licensed. We are willing to work with proponent to address the situation and believe the bill would add additional clarity to this area.

**Persons Testifying:** PRO: Senator Michael Baumgartner, Prime Sponsor; Jim Hedrick, Washington Distillers Guild; Trent House, Woodinville Whiskey.

OTHER: James Paribello, WSLCB.

**Persons Signed In To Testify But Not Testifying:** No one.