

CERTIFICATION OF ENROLLMENT

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1351

Chapter 96, Laws of 2017

65th Legislature
2017 Regular Session

SPIRITS, BEER, AND WINE--COMBINATION LICENSE

EFFECTIVE DATE: 7/23/2017

Passed by the House March 6, 2017
Yeas 98 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 5, 2017
Yeas 46 Nays 2

CYRUS HABIB

President of the Senate

Approved April 21, 2017 10:33 AM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1351** as passed by House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

April 21, 2017

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1351

Passed Legislature - 2017 Regular Session

State of Washington

65th Legislature

2017 Regular Session

By House Appropriations (originally sponsored by Representatives Sawyer, Vick, Springer, Barkis, Blake, Fitzgibbon, and Haler)

READ FIRST TIME 02/24/17.

1 AN ACT Relating to authorizing, under one license, the sale of
2 spirits, beer, and wine at retail for off-premises consumption;
3 amending RCW 66.24.360, 66.24.630, 66.24.363, and 66.24.632;
4 reenacting and amending RCW 66.24.371; and adding a new section to
5 chapter 66.24 RCW.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 66.24
8 RCW to read as follows:

9 (1) There is a license called a combination spirits, beer, and
10 wine license, to sell wine and beer, including without limitation
11 strong beer, at retail in bottles, cans, and original containers, not
12 to be consumed upon the premises where sold, and to:

13 (a) Sell spirits in original containers to consumers for
14 consumption off the licensed premises and to permit holders;

15 (b) Sell spirits in original containers to retailers licensed to
16 sell spirits for consumption on the premises, for resale at their
17 licensed premises according to the terms of their licenses, although
18 no single sale may exceed twenty-four liters; and

19 (c) Export spirits.

20 (2) The annual fee for the combination spirits, beer, and wine
21 license is three hundred sixteen dollars for each store.

1 (3) For the purposes of this title, a combination spirits, beer,
2 and wine license is a retail license, and a sale by a combination
3 spirits, beer, and wine licensee is a retail sale only if not for
4 resale. Nothing in this title authorizes sales by on-premise
5 licensees to other retail licensees.

6 (4)(a) The board may issue a combination spirits, beer, and wine
7 license:

8 (i) For premises comprising at least ten thousand square feet of
9 fully enclosed retail space within a single structure, including
10 storerooms and other interior auxiliary areas but excluding covered
11 or fenced exterior areas, whether or not attached to the structure,
12 and only to applicants that the board determines will maintain
13 appropriate systems for inventory management, employee training,
14 employee supervision, and physical security of the product;

15 (ii) For premises of a former contract liquor store; or

16 (iii) To a holder of former state liquor store operating rights
17 sold at auction under RCW 66.24.620.

18 (b) License issuances and renewals are subject to RCW 66.24.010
19 and the regulations adopted thereunder including, without limitation,
20 rights of cities, towns, county legislative authorities, the public,
21 churches, schools, and public institutions to object to or prevent
22 issuance of local liquor licenses. However, existing grocery and
23 other retail premises over ten thousand square feet licensed to sell
24 beer and/or wine are deemed to be premises "now licensed" under RCW
25 66.24.010(9)(a) for the purpose of processing applications for
26 combination spirits, beer, and wine licenses.

27 (c) A retailer authorized to sell spirits for consumption on or
28 off the licensed premises may accept delivery of spirits and deliver
29 spirits in the same manner as is provided in RCW 66.24.630(3)(d).

30 (d) For purposes of negotiating volume discounts of spirits, a
31 group of individual retailers authorized to sell spirits for
32 consumption off the licensed premises may accept delivery of spirits
33 as provided in RCW 66.24.630(3)(e).

34 (5) Each combination spirits, beer, and wine licensee must pay to
35 the board, for deposit into the liquor revolving fund, a license
36 issuance fee equivalent to the license issuance fee imposed on
37 licensees selling spirits pursuant to RCW 66.24.630(4)(a).

38 (6) The board may not issue a combined spirits, beer, and wine
39 license to an applicant if the applicant would qualify for a
40 restricted license as provided in RCW 66.24.371(4) or 66.24.360(7) if

1 the applicant had applied for a license under RCW 66.24.371 or
2 66.24.360 instead of pursuant to this section.

3 (7) As a condition to receiving and renewing a combination
4 spirits, beer, and wine license the licensee must comply with RCW
5 66.24.630(6).

6 (8) The maximum penalties prescribed by the board in WAC
7 314-29-020 through 314-29-040 relating to fines and suspensions are
8 doubled for violations relating to the sale of spirits by combination
9 spirits, beer, and wine licensees.

10 (9)(a) A combination spirits, beer, and wine licensee that joins
11 the responsible vendor program developed by the board pursuant to RCW
12 66.24.630(8) and maintains all of the program's requirements is not
13 subject to the doubling of penalties provided in this section for a
14 single violation in any period of twelve calendar months.

15 (b) To participate in the responsible vendor program, a
16 combination spirits, beer, and wine licensee must submit an
17 application form to the board. If the application establishes that
18 the combination spirits, beer, and wine licensee meets the
19 qualifications to join the program, the board must send the licensee
20 a membership certificate.

21 (c) A combination spirits, beer, and wine licensee participating
22 in the responsible vendor program must meet the requirements in RCW
23 66.24.630(8)(e) and comply with board rules adopted to implement RCW
24 66.24.630(8).

25 (10)(a) Any endorsement available to the holder of a license
26 issued pursuant to RCW 66.24.360 or 66.24.371 is available, upon
27 board approval and pursuant to board rules, to a combination spirits,
28 beer, and wine licensee, provided that the combination spirits, beer,
29 and wine licensee would qualify for a license and the endorsement
30 under RCW 66.24.360 or 66.24.371, as applicable, had the licensee
31 applied for a license and endorsement pursuant to RCW 66.24.360,
32 66.24.363, or 66.24.371, as applicable, instead of the combination
33 spirits, beer, and wine license pursuant to this section. A
34 combination spirits, beer, and wine licensee with an endorsement
35 issued pursuant to this subsection must comply with the requirements
36 of the endorsement to the same extent as if the endorsement was
37 issued pursuant to RCW 66.24.360, 66.24.363, or 66.24.371, as
38 applicable.

39 (b) A combination spirits, beer, and wine licensee may conduct
40 sampling in accordance with:

1 (i) RCW 66.24.371(2) if the combination spirits, beer, and wine
2 licensee would qualify for a license under RCW 66.24.371; or

3 (ii) RCW 66.24.363 if the combination spirits, beer, and wine
4 licensee would qualify for a license under RCW 66.24.360.

5 (11) Licensees holding a combination spirits, beer, and wine
6 license must maintain either:

7 (a) A minimum three thousand dollar inventory of food products
8 for human consumption, not including pop, beer, strong beer, wine, or
9 spirits; or

10 (b) A minimum three thousand dollar wholesale inventory of beer,
11 strong beer, and/or wine.

12 (12) A combination spirits, beer, and wine licensee holding a
13 snack bar license under RCW 66.24.350 may receive an endorsement to
14 allow the sale of confections containing more than one percent but
15 not more than ten percent alcohol by weight to persons twenty-one
16 years of age or older.

17 (13) The board may adopt rules to implement this section.

18 **Sec. 2.** RCW 66.24.360 and 2015 c 192 s 1 are each amended to
19 read as follows:

20 (1) There is a grocery store license to sell wine and/or beer,
21 including without limitation strong beer at retail in original
22 containers, not to be consumed upon the premises where sold.

23 (2) There is a wine retailer reseller endorsement of a grocery
24 store license, to sell wine at retail in original containers to
25 retailers licensed to sell wine for consumption on the premises, for
26 resale at their licensed premises according to the terms of the
27 license. However, no single sale may exceed twenty-four liters,
28 unless the sale is made by a licensee that was a contract liquor
29 store manager of a contract-operated liquor store at the location
30 from which such sales are made. For the purposes of this title, a
31 grocery store license is a retail license, and a sale by a grocery
32 store licensee with a reseller endorsement is a retail sale only if
33 not for resale.

34 (3) Licensees obtaining a written endorsement from the board may
35 also sell malt liquor in kegs or other containers capable of holding
36 less than five and one-half gallons of liquid.

37 (4) The annual fee for the grocery store license is one hundred
38 fifty dollars for each store.

1 (5) The annual fee for the wine retailer reseller endorsement is
2 one hundred sixty-six dollars for each store.

3 (6)(a) Upon approval by the board, a grocery store licensee with
4 revenues derived from beer and/or wine sales exceeding fifty percent
5 of total revenues or that maintains an alcohol inventory of not less
6 than fifteen thousand dollars may also receive an endorsement to
7 permit the sale of beer and cider, as defined in RCW 66.24.210(6), in
8 a sanitary container brought to the premises by the purchaser, or
9 provided by the licensee or manufacturer, and filled at the tap by
10 the licensee at the time of sale by an employee of the licensee
11 holding a class 12 alcohol server permit.

12 (b) Pursuant to RCW 74.08.580(1)(f), a person may not use an
13 electronic benefit transfer card for the purchase of any product
14 authorized for sale under this section.

15 (c) The board may, by rule, establish fees to be paid by
16 licensees receiving the endorsement authorized under this subsection
17 (6), as necessary to cover the costs of implementing and enforcing
18 the provisions of this subsection (6).

19 (7) The board must issue a restricted grocery store license
20 authorizing the licensee to sell beer and only table wine, if the
21 board finds upon issuance or renewal of the license that the sale of
22 strong beer or fortified wine would be against the public interest.
23 In determining the public interest, the board must consider at least
24 the following factors:

25 (a) The likelihood that the applicant will sell strong beer or
26 fortified wine to persons who are intoxicated;

27 (b) Law enforcement problems in the vicinity of the applicant's
28 establishment that may arise from persons purchasing strong beer or
29 fortified wine at the establishment; and

30 (c) Whether the sale of strong beer or fortified wine would be
31 detrimental to or inconsistent with a government-operated or funded
32 alcohol treatment or detoxification program in the area.

33 If the board receives no evidence or objection that the sale of
34 strong beer or fortified wine would be against the public interest,
35 it must issue or renew the license without restriction, as
36 applicable. The burden of establishing that the sale of strong beer
37 or fortified wine by the licensee would be against the public
38 interest is on those persons objecting.

1 (8) Licensees holding a grocery store license must maintain a
2 minimum three thousand dollar inventory of food products for human
3 consumption, not including pop, beer, strong beer, or wine.

4 (9) A grocery store licensee with a wine retailer reseller
5 endorsement may accept delivery of wine at its licensed premises or
6 at one or more warehouse facilities registered with the board, which
7 facilities may also warehouse and distribute nonliquor items, and
8 from which it may deliver to its own licensed premises and, pursuant
9 to sales permitted by this title, to other licensed premises, to
10 other registered facilities, or to lawful purchasers outside the
11 state. Facilities may be registered and utilized by associations,
12 cooperatives, or comparable groups of grocery store licensees.

13 (10) Upon approval by the board, the grocery store licensee may
14 also receive an endorsement to permit the international export of
15 beer, strong beer, and wine.

16 (a) Any beer, strong beer, or wine sold under this endorsement
17 must have been purchased from a licensed beer or wine distributor
18 licensed to do business within the state of Washington.

19 (b) Any beer, strong beer, and wine sold under this endorsement
20 must be intended for consumption outside the state of Washington and
21 the United States and appropriate records must be maintained by the
22 licensee.

23 (c) Any beer, strong beer, or wine sold under this endorsement
24 must be sold at a price no less than the acquisition price paid by
25 the holder of the license.

26 (d) The annual cost of this endorsement is five hundred dollars
27 and is in addition to the license fees paid by the licensee for a
28 grocery store license.

29 (11) A grocery store licensee holding a snack bar license under
30 RCW 66.24.350 may receive an endorsement to allow the sale of
31 confections containing more than one percent but not more than ten
32 percent alcohol by weight to persons twenty-one years of age or
33 older.

34 (12) The board may adopt rules to implement this section.

35 (13) Nothing in this section limits the authority of the board to
36 regulate the sale of beer or cider or container sizes under rules
37 adopted pursuant to RCW 66.08.030.

38 (14) Any endorsement issued pursuant to this section or RCW
39 66.24.363 may be issued to a qualified combination spirits, beer, and
40 wine licensee in accordance with section 1(10) of this act.

1 (15)(a) A grocery store licensee that also holds a spirits retail
2 license under RCW 66.24.630 may, upon board approval and pursuant to
3 board rules, transition to a combination spirits, beer, and wine
4 license pursuant to section 1 of this act.

5 (b) An applicant that would qualify for a grocery store license
6 under this section and a spirits retail license under RCW 66.24.630
7 may apply for a single license pursuant to section 1 of this act
8 instead of applying for a grocery store license under this section in
9 addition to a spirits retail license under to RCW 66.24.630.

10 **Sec. 3.** RCW 66.24.371 and 2011 c 195 s 4 and 2011 c 119 s 204
11 are each reenacted and amended to read as follows:

12 (1) There shall be a beer and/or wine retailer's license to be
13 designated as a beer and/or wine specialty shop license to sell beer,
14 strong beer, and/or wine at retail in bottles, cans, and original
15 containers, not to be consumed upon the premises where sold, at any
16 store other than the state liquor stores. Licensees obtaining a
17 written endorsement from the board may also sell malt liquor in kegs
18 or other containers capable of holding four gallons or more of
19 liquid. The annual fee for the beer and/or wine specialty shop
20 license is one hundred dollars for each store. The sale of any
21 container holding four gallons or more must comply with RCW 66.28.200
22 and 66.28.220.

23 (2) Licensees under this section may provide, free or for a
24 charge, single-serving samples of two ounces or less to customers for
25 the purpose of sales promotion. Sampling activities of licensees
26 under this section are subject to RCW 66.28.305 and 66.28.040 and the
27 cost of sampling under this section may not be borne, directly or
28 indirectly, by any manufacturer, importer, or distributor of liquor.

29 (3) Upon approval by the board, the beer and/or wine specialty
30 shop licensee that exceeds fifty percent beer and/or wine sales may
31 also receive an endorsement to permit the sale of beer to a purchaser
32 in a sanitary container brought to the premises by the purchaser, or
33 provided by the licensee or manufacturer, and fill at the tap by the
34 licensee at the time of sale. If the beer and/or wine specialty shop
35 licensee does not exceed fifty percent beer and/or wine sales, the
36 board may waive the fifty percent beer and/or wine sale criteria if
37 the beer and/or wine specialty shop maintains alcohol inventory that
38 exceeds fifteen thousand dollars.

1 (4) The board shall issue a restricted beer and/or wine specialty
2 shop license, authorizing the licensee to sell beer and only table
3 wine, if the board finds upon issuance or renewal of the license that
4 the sale of strong beer or fortified wine would be against the public
5 interest. In determining the public interest, the board shall
6 consider at least the following factors:

7 (a) The likelihood that the applicant will sell strong beer or
8 fortified wine to persons who are intoxicated;

9 (b) Law enforcement problems in the vicinity of the applicant's
10 establishment that may arise from persons purchasing strong beer or
11 fortified wine at the establishment; and

12 (c) Whether the sale of strong beer or fortified wine would be
13 detrimental to or inconsistent with a government-operated or funded
14 alcohol treatment or detoxification program in the area.

15 If the board receives no evidence or objection that the sale of
16 strong beer or fortified wine would be against the public interest,
17 it shall issue or renew the license without restriction, as
18 applicable. The burden of establishing that the sale of strong beer
19 or fortified wine by the licensee would be against the public
20 interest is on those persons objecting.

21 (5) Licensees holding a beer and/or wine specialty shop license
22 must maintain a minimum three thousand dollar wholesale inventory of
23 beer, strong beer, and/or wine.

24 (6) The board may adopt rules to implement this section.

25 (7) Any endorsement issued pursuant to this section may be issued
26 to a qualified combination spirits, beer, and wine licensee in
27 accordance with section 1 of this act.

28 (8)(a) A beer and/or wine specialty shop licensee that also holds
29 a spirits retail license under RCW 66.24.630 may, upon board approval
30 and pursuant to board rules, transition to a combination spirits,
31 beer, and wine license pursuant to section 1 of this act.

32 (b) An applicant that would qualify for a beer and/or wine
33 specialty shop license under this section and a spirits retail
34 license under RCW 66.24.630 may apply for a single license pursuant
35 to section 1 of this act instead of applying for a beer and/or wine
36 specialty shop license under this section in addition to a spirits
37 retail license under RCW 66.24.630.

38 **Sec. 4.** RCW 66.24.630 and 2015 c 186 s 1 are each amended to
39 read as follows:

1 (1) There is a spirits retail license to: Sell spirits in
2 original containers to consumers for consumption off the licensed
3 premises and to permit holders; sell spirits in original containers
4 to retailers licensed to sell spirits for consumption on the
5 premises, for resale at their licensed premises according to the
6 terms of their licenses, although no single sale may exceed twenty-
7 four liters, unless the sale is by a licensee that was a contract
8 liquor store manager of a contract liquor store at the location of
9 its spirits retail licensed premises from which it makes such sales;
10 and export spirits.

11 (2) For the purposes of this title, a spirits retail license is a
12 retail license, and a sale by a spirits retailer is a retail sale
13 only if not for resale. Nothing in this title authorizes sales by on-
14 sale licensees to other retail licensees. The board must establish by
15 rule an obligation of on-sale spirits retailers to:

16 (a) Maintain a schedule by stock-keeping unit of all their
17 purchases of spirits from spirits retail licensees, including
18 combination spirits, beer, and wine licensees holding a license
19 issued pursuant to section 1 of this act, indicating the identity of
20 the seller and the quantities purchased; and

21 (b) Provide, not more frequently than quarterly, a report for
22 each scheduled item containing the identity of the purchasing on-
23 premises licensee and the quantities of that scheduled item purchased
24 since any preceding report to:

25 (i) A distributor authorized by the distiller to distribute a
26 scheduled item in the on-sale licensee's geographic area; or

27 (ii) A distiller acting as distributor of the scheduled item in
28 the area.

29 (3)(a) Except as otherwise provided in (c) of this subsection,
30 the board may issue spirits retail licenses only for premises
31 comprising at least ten thousand square feet of fully enclosed retail
32 space within a single structure, including storerooms and other
33 interior auxiliary areas but excluding covered or fenced exterior
34 areas, whether or not attached to the structure, and only to
35 applicants that the board determines will maintain systems for
36 inventory management, employee training, employee supervision, and
37 physical security of the product substantially as effective as those
38 of stores currently operated by the board with respect to preventing
39 sales to or pilferage by underage or inebriated persons.

1 (b) License issuances and renewals are subject to RCW 66.24.010
2 and the regulations (~~promulgated~~) adopted thereunder, including
3 without limitation rights of cities, towns, county legislative
4 authorities, the public, churches, schools, and public institutions
5 to object to or prevent issuance of local liquor licenses. However,
6 existing grocery premises licensed to sell beer and/or wine are
7 deemed to be premises "now licensed" under RCW 66.24.010(9)(a) for
8 the purpose of processing applications for spirits retail licenses.

9 (c) The board may not deny a spirits retail license to an
10 otherwise qualified contract liquor store at its contract location or
11 to the holder of former state liquor store operating rights sold at
12 auction under RCW 66.24.620 on the grounds of location, nature, or
13 size of the premises to be licensed. The board may not deny a spirits
14 retail license to applicants that are not contract liquor stores or
15 operating rights holders on the grounds of the size of the premises
16 to be licensed, if such applicant is otherwise qualified and the
17 board determines that:

18 (i) There is no spirits retail license holder in the trade area
19 that the applicant proposes to serve;

20 (ii) The applicant meets, or upon licensure will meet, the
21 operational requirements established by the board by rule; and

22 (iii) The licensee has not committed more than one public safety
23 violation within the three years preceding application.

24 (d) A retailer authorized to sell spirits for consumption on or
25 off the licensed premises may accept delivery of spirits at its
26 licensed premises, at another licensed premises as designated by the
27 retailer, or at one or more warehouse facilities registered with the
28 board, which facilities may also warehouse and distribute nonliquor
29 items, and from which the retailer may deliver to its own licensed
30 premises and, pursuant to sales permitted under subsection (1) of
31 this section:

32 (i) To other retailer premises licensed to sell spirits for
33 consumption on the licensed premises;

34 (ii) To other registered facilities; or

35 (iii) To lawful purchasers outside the state. The facilities may
36 be registered and utilized by associations, cooperatives, or
37 comparable groups of retailers, including at least one retailer
38 licensed to sell spirits.

39 (e) For purposes of negotiating volume discounts, a group of
40 individual retailers authorized to sell spirits for consumption off

1 the licensed premises may accept delivery of spirits at their
2 individual licensed premises or at any one of the individual
3 licensee's premises, or at a warehouse facility registered with the
4 board.

5 (4)(a) Except as otherwise provided in RCW 66.24.632, or in (b)
6 of this subsection, each spirits retail licensee must pay to the
7 board, for deposit into the liquor revolving fund, a license issuance
8 fee equivalent to seventeen percent of all spirits sales revenues
9 under the license, exclusive of taxes collected by the licensee and
10 of sales of items on which a license fee payable under this section
11 has otherwise been incurred. The board must establish rules setting
12 forth the timing of such payments and reporting of sales dollar
13 volume by the licensee, with payments required quarterly in arrears.
14 The first payment is due October 1, 2012.

15 (b) This subsection (4) does not apply to craft distilleries.

16 (5) In addition to the payment required under subsection (4) of
17 this section, each licensee must pay an annual license renewal fee of
18 one hundred sixty-six dollars. The board must periodically review and
19 adjust the renewal fee as may be required to maintain it as
20 comparable to annual license renewal fees for licenses to sell beer
21 and wine not for consumption on the licensed premises. If required by
22 law at the time, any increase of the annual renewal fee becomes
23 effective only upon ratification by the legislature.

24 (6) As a condition to receiving and renewing a spirits retail
25 license the licensee must provide training as prescribed by the board
26 by rule for individuals who sell spirits or who manage others who
27 sell spirits regarding compliance with laws and regulations regarding
28 sale of spirits, including without limitation the prohibitions
29 against sale of spirits to individuals who are underage or visibly
30 intoxicated. The training must be provided before the individual
31 first engages in the sale of spirits and must be renewed at least
32 every five years. The licensee must maintain records documenting the
33 nature and frequency of the training provided. An employee training
34 program is presumptively sufficient if it incorporates a "responsible
35 vendor program" (~~promulgated~~) adopted by the board.

36 (7) The maximum penalties prescribed by the board in WAC
37 314-29-020 through 314-29-040 relating to fines and suspensions are
38 doubled for violations relating to the sale of spirits by spirits
39 retail licensees.

1 (8)(a) The board must (~~promulgate~~) adopt regulations concerning
2 the adoption and administration of a compliance training program for
3 spirits retail licensees, to be known as a "responsible vendor
4 program," to reduce underage drinking, encourage licensees to adopt
5 specific best practices to prevent sales to minors, and provide
6 licensees with an incentive to give their employees ongoing training
7 in responsible alcohol sales and service.

8 (b) Licensees who join the responsible vendor program under this
9 section and maintain all of the program's requirements are not
10 subject to the doubling of penalties provided in this section for a
11 single violation in any period of twelve calendar months.

12 (c) The responsible vendor program must be free, voluntary, and
13 self-monitoring.

14 (d) To participate in the responsible vendor program, licensees
15 must submit an application form to the board. If the application
16 establishes that the licensee meets the qualifications to join the
17 program, the board must send the licensee a membership certificate.

18 (e) A licensee participating in the responsible vendor program
19 must at a minimum:

20 (i) Provide ongoing training to employees;

21 (ii) Accept only certain forms of identification for alcohol
22 sales;

23 (iii) Adopt policies on alcohol sales and checking
24 identification;

25 (iv) Post specific signs in the business; and

26 (v) Keep records verifying compliance with the program's
27 requirements.

28 (f)(i) A spirits retail licensee that also holds a grocery store
29 license under RCW 66.24.360 or a beer and/or wine specialty shop
30 license under RCW 66.24.371 may, upon board approval and pursuant to
31 board rules, transition to a combination spirits, beer, and wine
32 license pursuant to section 1 of this act.

33 (ii) An applicant that would qualify for a spirits retail license
34 under this section and that qualifies for a combination spirits,
35 beer, and wine license pursuant to section 1 of this act may apply
36 for a license pursuant to section 1 of this act instead of applying
37 for a spirits retail license under this section.

38 **Sec. 5.** RCW 66.24.363 and 2013 c 52 s 1 are each amended to read
39 as follows:

1 (1) A grocery store licensed under RCW 66.24.360 may apply for an
2 endorsement to offer beer and wine tasting under this section.

3 (2) To be issued an endorsement, a licensee must meet the
4 following criteria:

5 (a) The licensee operates a fully enclosed retail area
6 encompassing at least ten thousand square feet of fully enclosed
7 retail space within a single structure, including storerooms and
8 other interior auxiliary areas but excluding covered or fenced
9 exterior areas, whether or not attached to the structure, except that
10 the board may issue an endorsement to a licensee with a retail area
11 encompassing less than ten thousand square feet if the board
12 determines that no licensee in the community the licensee serves
13 meets the square footage requirement and the licensee meets
14 operational requirements established by the board by rule; and

15 (b) The licensee has not had more than one public safety
16 violation within the past two years.

17 (3) A tasting must be conducted under the following conditions:

18 (a) Each sample must be two ounces or less, up to a total of four
19 ounces, per customer during any one visit to the premises;

20 (b) No more than one sample of the same product offering of beer
21 or wine may be provided to a customer during any one visit to the
22 premises;

23 (c) The licensee must have food available for the tasting
24 participants;

25 (d) Customers must remain in the service area while consuming
26 samples; and

27 (e) The service area and facilities must be located within the
28 licensee's fully enclosed retail area and must be of a size and
29 design such that the licensee can observe and control persons in the
30 area to ensure that persons under twenty-one years of age and
31 apparently intoxicated persons cannot possess or consume alcohol.

32 (4) Employees of licensees whose duties include serving during
33 tasting activities under this section must hold a class 12 alcohol
34 server permit.

35 (5) Tasting activities under this section are subject to RCW
36 66.28.305 and 66.28.040 and the cost of sampling may not be borne,
37 directly or indirectly, by any liquor manufacturer, importer, or
38 distributor.

39 (6) A licensee may advertise a tasting event only within the
40 store, on a store web site, in store newsletters and flyers, and via

1 email and mail to customers who have requested notice of events.
2 Advertising under this subsection may not be targeted to or appeal
3 principally to youth.

4 (7)(a) If a licensee is found to have committed a public safety
5 violation in conjunction with tasting activities, the board may
6 suspend the licensee's tasting endorsement and not reissue the
7 endorsement for up to two years from the date of the violation. If
8 mitigating circumstances exist, the board may offer a monetary
9 penalty in lieu of suspension during a settlement conference.

10 (b) The board may revoke an endorsement granted to a licensee
11 that is located within the boundaries of an alcohol impact area
12 recognized by resolution of the board if the board finds that the
13 tasting activities by the licensee are having an adverse effect on
14 the reduction of chronic public inebriation in the area.

15 (c) RCW 66.08.150 applies to the suspension or revocation of an
16 endorsement.

17 (8) The board may establish additional requirements under this
18 section to assure that persons under twenty-one years of age and
19 apparently intoxicated persons cannot possess or consume alcohol.

20 (9) The annual fee for the endorsement is two hundred dollars.
21 The board shall review the fee annually and may increase the fee by
22 rule to a level sufficient to defray the cost of administration and
23 enforcement of the endorsement, except that the board may not
24 increase the fee by more than ten percent annually.

25 (10) The board must adopt rules to implement this section.

26 (11) An endorsement issued pursuant to this section may be issued
27 to a qualified combination spirits, beer, and wine licensee in
28 accordance with section 1 of this act.

29 **Sec. 6.** RCW 66.24.632 and 2013 2nd sp.s. c 12 s 3 are each
30 amended to read as follows:

31 (1) Beginning June 30, 2013, the license issuance fee under RCW
32 66.24.630(4) does not apply to a spirits retail licensee or
33 combination spirits, beer, and wine licensee that was a contract
34 liquor store manager with respect to sales of spirits in original
35 containers from the location of its spirits retail licensed premises
36 to retailers licensed to sell spirits for consumption on the premises
37 for resale at their licensed premises.

38 (2) Beginning June 30, 2013, the license issuance fee under RCW
39 66.24.630(4) does not apply to a spirits retail licensee or

1 combination spirits, beer, and wine licensee that was a former state
2 store auction buyer, with respect to sales of spirits in original
3 containers from the location of its spirits retail licensed premises
4 to retailers licensed to sell spirits for consumption on the premises
5 for resale at their licensed premises.

6 (3) The exemptions created in this section attach to any
7 successor, by purchase or otherwise, to the spirits retail license or
8 combination beer and wine license, except that an exemption does not
9 attach to any such successor that owns, directly or indirectly, any
10 interest in a spirits retail license that is not derived directly
11 from a former contract liquor store manager or a former state store
12 auction buyer.

Passed by the House March 6, 2017.

Passed by the Senate April 5, 2017.

Approved by the Governor April 21, 2017.

Filed in Office of Secretary of State April 21, 2017.

--- END ---