

CERTIFICATION OF ENROLLMENT
ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1480

67th Legislature
2021 Regular Session

Passed by the House February 25, 2021
Yeas 86 Nays 12

**Speaker of the House of
Representatives**

Passed by the Senate March 29, 2021
Yeas 46 Nays 3

President of the Senate

Approved

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 1480** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1480

Passed Legislature - 2021 Regular Session

State of Washington

67th Legislature

2021 Regular Session

By House Appropriations (originally sponsored by Representatives MacEwen, Kloba, Sutherland, Robertson, Ormsby, Chambers, Eslick, and Tharinger; by request of Liquor and Cannabis Board)

READ FIRST TIME 02/22/21.

1 AN ACT Relating to extending certain privileges granted to liquor
2 licensees to mitigate the impact of the coronavirus pandemic;
3 amending RCW 66.24.630 and 82.08.150; adding a new section to chapter
4 66.08 RCW; creating new sections; providing expiration dates; and
5 declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** The COVID-19 pandemic that arrived in
8 Washington in 2020 led to historic economic disruptions and
9 devastating health impacts in the state. In an effort to assist
10 businesses and employees whose assets and livelihoods have been
11 impacted by the strategies used to protect the public's health, the
12 legislature finds that steps must be taken in the public interest to
13 support the most severely impacted industries. The hospitality
14 industry has suffered some of the most devastating impacts of any
15 sector of the state's economy. The legislature finds that assisting
16 this sector of the state's economy to survive and recover from the
17 effects of the pandemic and the steps taken to combat its spread are
18 an urgent priority that is in the best interests of the state and its
19 residents. The legislature intends that these revisions at the same
20 time continue to promote regulation of an orderly market for liquor

1 sales while maintaining protection of public health and efficient
2 collection of taxes and fees.

3 NEW SECTION. **Sec. 2.** (1) The board must implement the
4 provisions of this section as expeditiously as possible. Liquor
5 licensees may conduct activities authorized under this section before
6 completion by the board of actions the board plans to take in order
7 to implement this act, such as adoption of rules or completion of
8 information system changes necessary to allow licensees to apply for
9 required endorsements. However, licensees must comply with board
10 rules when they take effect.

11 (2) The following licensees may sell alcohol products at retail
12 for curbside and takeout service or delivery or both under liquor and
13 cannabis board licenses and endorsements: Beer and wine restaurants;
14 spirits, beer, and wine restaurants; taverns; domestic wineries;
15 domestic breweries and microbreweries; distilleries; snack bars;
16 nonprofit arts licensees; and caterers.

17 (3) Spirits, beer, and wine restaurant licensees may sell
18 premixed cocktails and cocktail kits for takeout or curbside service
19 and for delivery. The board may establish by rule the manner in which
20 cocktails for off-premises consumption must be provided. This
21 subsection does not authorize sale of full bottles of spirits by
22 licensees for off-premises consumption, with the exception of mini-
23 bottles as part of cocktail kits. Mini-bottle sales authorized under
24 this subsection as part of cocktail kits are exempt from the spirits
25 license issuance fee under RCW 66.24.630(4)(a) and the tax on each
26 retail sale of spirits under RCW 82.08.150.

27 (4) Spirits, beer, and wine restaurant licensees may sell wine by
28 the glass or premixed wine and spirits cocktails for takeout or
29 curbside service and for delivery. Beer and wine restaurant licensees
30 may sell wine or premixed wine drinks by the glass for takeout or
31 curbside service and for delivery. The board may establish by rule
32 the manner in which wine by the glass and cocktails for off-premises
33 consumption must be provided.

34 (5) Licensees that were authorized by statute or rule before
35 January 1, 2020, to sell growlers for on-premises consumption may
36 sell growlers for off-premises consumption through curbside, takeout,
37 or delivery service. Sale of growlers under this subsection must meet
38 federal alcohol and tobacco tax and trade bureau requirements.

1 (6) Licensees must obtain from the board an endorsement to their
2 license in order to conduct activities authorized under subsections
3 (2) through (5) of this section. The board may adopt rules governing
4 the manner in which the activities authorized under this section must
5 be conducted. Licensees must not be charged a fee in order to obtain
6 an endorsement required under this section.

7 (7) Beer and wine specialty shops licensed under RCW 66.24.371
8 and domestic breweries and microbreweries may sell prefilled growlers
9 for off-premises consumption through takeout or curbside service and
10 delivery, provided that prefilled growlers are sold the same day they
11 are prepared for sale and not stored overnight for sale on future
12 days.

13 (8) The board must adopt or revise current rules to allow for
14 outdoor service of alcohol by on-premises licensees holding licenses
15 issued by the board for the following license types: Beer and wine
16 restaurants; spirits, beer, and wine restaurants; taverns; domestic
17 wineries; domestic breweries and microbreweries; distilleries; snack
18 bars; and private clubs licensed under RCW 66.24.450 and 66.24.452.
19 The board may adopt requirements providing for clear accountability
20 at locations where multiple licensees use a shared space for serving
21 customers.

22 (9) Upon delivery of any alcohol product authorized to be
23 delivered under this section, the signature of the person age 21 or
24 over receiving the delivery must be obtained.

25 (10) The definitions in this subsection apply throughout this
26 section unless the context clearly requires otherwise.

27 (a) "Board" means the liquor and cannabis board.

28 (b) "Growlers" means sanitary containers brought to the premises
29 by the purchaser or furnished by the licensee and filled by the
30 retailer at the time of sale.

31 (c) "Mini-bottles" means original factory-sealed containers
32 holding not more than 50 milliliters of a spirituous beverage.

33 (11) This section expires July 1, 2023.

34 NEW SECTION. **Sec. 3.** A new section is added to chapter 66.08
35 RCW to read as follows:

36 The board must consider revising current rules in order to
37 provide greater flexibility regarding food service menu requirements
38 that businesses holding a license issued by the board under Title 66
39 RCW must provide in conjunction with alcohol sales. This subsection

1 does not apply to licensees that were not required to provide food
2 service under rules in effect on January 1, 2020. The purpose of this
3 subsection is to ease food menu requirements to make it more feasible
4 financially for licensees to comply with the board's food service
5 requirements but not replace food safety requirements in rule adopted
6 by the department of health in chapter 246-215 WAC.

7 NEW SECTION. **Sec. 4.** (1) The liquor and cannabis board must
8 contract with an independent entity to conduct a study of the impacts
9 of privileges granted by this act to businesses licensed by the board
10 under Title 66 RCW. The study must examine relevant issues including,
11 but not limited to, the following:

12 (a) Quantitative measures of impact such as liquor sales data,
13 licensee locations, enforcement activity, hospital and other health
14 provider visits for alcohol-related causes, underage drinking,
15 alcohol dependence treatment, alcohol-related traffic violations, and
16 motor vehicle crash deaths or injuries;

17 (b) Qualitative investigation of relevant impacts using methods
18 such as key informant interviews and supplemental data collection
19 with licensees, law enforcement, behavioral health service providers,
20 youth prevention and intervention specialists, and revenue
21 stakeholders; and

22 (c) Additional issues deemed relevant to the goals and results of
23 this act.

24 (2) The study authorized by this section must be started by
25 January 1, 2022. A report with findings and any recommendations must
26 be provided to the legislature and the governor by December 1, 2022.

27 (3) This section expires July 1, 2023.

28 **Sec. 5.** RCW 66.24.630 and 2020 c 238 s 9 are each amended to
29 read as follows:

30 (1) There is a spirits retail license to: Sell spirits in
31 original containers to consumers for consumption off the licensed
32 premises and to permit holders; sell spirits in original containers
33 to retailers licensed to sell spirits for consumption on the
34 premises, for resale at their licensed premises according to the
35 terms of their licenses, although no single sale may exceed twenty-
36 four liters, unless the sale is by a licensee that was a contract
37 liquor store manager of a contract liquor store at the location of

1 its spirits retail licensed premises from which it makes such sales;
2 and export spirits.

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

8 (a) Maintain a schedule by stock-keeping unit of all their
9 purchases of spirits from spirits retail licensees, including
10 combination spirits, beer, and wine licensees holding a license
11 issued pursuant to RCW 66.24.035, indicating the identity of the
12 seller and the quantities purchased; and

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

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

19 (ii) A distiller acting as distributor of the scheduled item in
20 the area.

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

32 (b) License issuances and renewals are subject to RCW 66.24.010
33 and the regulations adopted thereunder, including without limitation
34 rights of cities, towns, county legislative authorities, the public,
35 churches, schools, and public institutions to object to or prevent
36 issuance of local liquor licenses. However, existing grocery premises
37 licensed to sell beer and/or wine are deemed to be premises "now
38 licensed" under RCW 66.24.010(9)(a) for the purpose of processing
39 applications for spirits retail licenses.

1 (c) The board may not deny a spirits retail license to an
2 otherwise qualified contract liquor store at its contract location or
3 to the holder of former state liquor store operating rights sold at
4 auction under RCW 66.24.620 on the grounds of location, nature, or
5 size of the premises to be licensed. The board may not deny a spirits
6 retail license to applicants that are not contract liquor stores or
7 operating rights holders on the grounds of the size of the premises
8 to be licensed, if such applicant is otherwise qualified and the
9 board determines that:

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

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

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

16 (d) A retailer authorized to sell spirits for consumption on or
17 off the licensed premises may accept delivery of spirits at its
18 licensed premises, at another licensed premises as designated by the
19 retailer, or at one or more warehouse facilities registered with the
20 board, which facilities may also warehouse and distribute nonliquor
21 items, and from which the retailer may deliver to its own licensed
22 premises and, pursuant to sales permitted under subsection (1) of
23 this section:

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

26 (ii) To other registered facilities; or

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

31 (e) For purposes of negotiating volume discounts, a group of
32 individual retailers authorized to sell spirits for consumption off
33 the licensed premises may accept delivery of spirits at their
34 individual licensed premises or at any one of the individual
35 licensee's premises, or at a warehouse facility registered with the
36 board.

37 (4) (a) Except as otherwise provided in RCW 66.24.632, section 2
38 of this act, or in (b) of this subsection, each spirits retail
39 licensee must pay to the board, for deposit into the liquor revolving
40 fund, a license issuance fee equivalent to seventeen percent of all

1 spirits sales revenues under the license, exclusive of taxes
2 collected by the licensee and of sales of items on which a license
3 fee payable under this section has otherwise been incurred. The board
4 must establish rules setting forth the timing of such payments and
5 reporting of sales dollar volume by the licensee, with payments
6 required quarterly in arrears. The first payment is due October 1,
7 2012.

8 (b) This subsection (4) does not apply to craft distilleries for
9 sales of spirits of the craft distillery's own production.

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

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

30 (7) The maximum penalties prescribed by the board in WAC
31 314-29-020 through 314-29-040 relating to fines and suspensions are
32 doubled for violations relating to the sale of spirits by spirits
33 retail licensees.

34 (8)(a) The board must adopt regulations concerning the adoption
35 and administration of a compliance training program for spirits
36 retail licensees, to be known as a "responsible vendor program," to
37 reduce underage drinking, encourage licensees to adopt specific best
38 practices to prevent sales to minors, and provide licensees with an
39 incentive to give their employees ongoing training in responsible
40 alcohol sales and service.

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

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

7 (d) To participate in the responsible vendor program, licensees
8 must submit an application form to the board. If the application
9 establishes that the licensee meets the qualifications to join the
10 program, the board must send the licensee a membership certificate.

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

13 (i) Provide ongoing training to employees;

14 (ii) Accept only certain forms of identification for alcohol
15 sales;

16 (iii) Adopt policies on alcohol sales and checking
17 identification;

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

19 (v) Keep records verifying compliance with the program's
20 requirements.

21 (f)(i) A spirits retail licensee that also holds a grocery store
22 license under RCW 66.24.360 or a beer and/or wine specialty shop
23 license under RCW 66.24.371 may, upon board approval and pursuant to
24 board rules, transition to a combination spirits, beer, and wine
25 license pursuant to RCW 66.24.035.

26 (ii) An applicant that would qualify for a spirits retail license
27 under this section and that qualifies for a combination spirits,
28 beer, and wine license pursuant to RCW 66.24.035 may apply for a
29 license pursuant to RCW 66.24.035 instead of applying for a spirits
30 retail license under this section.

31 **Sec. 6.** RCW 82.08.150 and 2012 c 2 s 106 are each amended to
32 read as follows:

33 (1) There is levied and collected a tax upon each retail sale of
34 spirits in the original package at the rate of fifteen percent of the
35 selling price.

36 (2) There is levied and collected a tax upon each sale of spirits
37 in the original package at the rate of ten percent of the selling
38 price on sales by a spirits distributor licensee or other licensee

1 acting as a spirits distributor pursuant to Title 66 RCW to
2 restaurant spirits retailers.

3 (3) There is levied and collected an additional tax upon each
4 sale of spirits in the original package by a spirits distributor
5 licensee or other licensee acting as a spirits distributor pursuant
6 to Title 66 RCW to a restaurant spirits retailer and upon each retail
7 sale of spirits in the original package by a licensee of the board at
8 the rate of one dollar and seventy-two cents per liter.

9 (4) An additional tax is imposed equal to fourteen percent
10 multiplied by the taxes payable under subsections (1), (2), and (3)
11 of this section.

12 (5) An additional tax is imposed upon each sale of spirits in the
13 original package by a spirits distributor licensee or other licensee
14 acting as a spirits distributor pursuant to Title 66 RCW to a
15 restaurant spirits retailer and upon each retail sale of spirits in
16 the original package by a licensee of the board at the rate of seven
17 cents per liter. All revenues collected during any month from this
18 additional tax must be deposited in the state general fund by the
19 twenty-fifth day of the following month.

20 (6)(a) An additional tax is imposed upon retail sale of spirits
21 in the original package at the rate of three and four-tenths percent
22 of the selling price.

23 (b) An additional tax is imposed upon retail sale of spirits in
24 the original package to a restaurant spirits retailer at the rate of
25 two and three-tenths percent of the selling price.

26 (c) An additional tax is imposed upon each sale of spirits in the
27 original package by a spirits distributor licensee or other licensee
28 acting as a spirits distributor pursuant to Title 66 RCW to a
29 restaurant spirits retailer and upon each retail sale of spirits in
30 the original package by a licensee of the board at the rate of forty-
31 one cents per liter.

32 (d) All revenues collected during any month from additional taxes
33 under this subsection must be deposited in the state general fund by
34 the twenty-fifth day of the following month.

35 (7)(a) An additional tax is imposed upon each retail sale of
36 spirits in the original package at the rate of one dollar and thirty-
37 three cents per liter.

38 (b) All revenues collected during any month from additional taxes
39 under this subsection must be deposited by the twenty-fifth day of
40 the following month into the general fund.

1 (8) The tax imposed in RCW 82.08.020 does not apply to sales of
2 spirits in the original package.

3 (9) The taxes imposed in this section must be paid by the buyer
4 to the seller, and each seller must collect from the buyer the full
5 amount of the tax payable in respect to each taxable sale under this
6 section. The taxes required by this section to be collected by the
7 seller must be stated separately from the selling price, and for
8 purposes of determining the tax due from the buyer to the seller, it
9 is conclusively presumed that the selling price quoted in any price
10 list does not include the taxes imposed by this section. Sellers must
11 report and return all taxes imposed in this section in accordance
12 with rules adopted by the department.

13 (10) (~~As used in this section~~) (a) Except as otherwise provided
14 in this subsection, the terms, "spirits" and "package" have the same
15 meaning as provided in chapter 66.04 RCW.

16 (b) Until July 1, 2023, for the purposes of the taxes imposed
17 under this section, the term "spirits" does not include mini-bottles
18 of spirits sold by a person who possesses a valid endorsement under
19 section 2(6) of this act and is licensed as a spirits, beer, and wine
20 restaurant under RCW 66.24.400.

21 (c) For the purposes of this subsection, "mini-bottles of
22 spirits" means an original factory-sealed container holding not more
23 than 50 milliliters of spirits.

24 NEW SECTION. Sec. 7. This act is exempt from the provisions of
25 RCW 82.32.808 and 82.32.805.

26 NEW SECTION. Sec. 8. Except as provided in section 2(9) of this
27 act, any temporary authorization or relaxation of requirements
28 provided by the Washington state liquor and cannabis board, in effect
29 on the effective date of this section, related to authorizing the
30 photographing or scanning of customer identification in lieu of
31 obtaining a physical signature to document liquor product delivery or
32 verify the age of customers, expires at the end of the governor's
33 proclamation of emergency related to COVID-19.

34 NEW SECTION. Sec. 9. Any temporary authorization or relaxation
35 of statutory requirements provided by the Washington state liquor and
36 cannabis board related to food requirements associated with wine and

1 beer sampling at farmers markets expires at the end of the governor's
2 proclamation of emergency related to COVID-19.

3 NEW SECTION. **Sec. 10.** This act is necessary for the immediate
4 preservation of the public peace, health, or safety, or support of
5 the state government and its existing public institutions, and takes
6 effect immediately.

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