

# HOUSE BILL REPORT

## SSB 5364

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**As Reported By House Committee On:**  
Commerce & Labor

**Title:** An act relating to the administration and designation of liquor licenses.

**Brief Description:** Administering and designating liquor licenses.

**Sponsors:** Senate Committee on Commerce, Trade, Housing & Financial Institutions (originally sponsored by Senators Prentice, Winsley and Shin; by request of Liquor Control Board).

**Brief History:**

**Committee Activity:**

Commerce & Labor: 3/22/99, 3/29/99 [DPA].

**Brief Summary of Substitute Bill**  
(As Amended by House Committee)

- Corrects references to the previous alphabet liquor license designations to reflect the new license designations based on the type of business.
- Clarifies that the calculation of an amount for distribution to state and local governments from liquor sales includes 10 percent of gross liquor sales by the board to certain retail licensees less a 15 percent discount allowed for these sales.
- Provides that the surety bond requirement for the payment of wine and beer taxes is permissive and not mandatory.
- Provides an annual endorsement for a restricted spirits, beer and wine restaurant license allowing 40 non-club events a year using club liquor.

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**HOUSE COMMITTEE ON COMMERCE & LABOR**

**Majority Report:** Do pass as amended. Signed by 8 members: Representatives Clements, Republican Co-Chair; Conway, Democratic Co-Chair; B. Chandler, Republican Vice Chair; Wood, Democratic Vice Chair; Hurst; Lisk; McIntire and McMorris.

**Staff:** Pam Madson (786-7166).

**Background:**

Correcting licensing terminology.

In 1997, the liquor licensing scheme changed from licenses designated by letters of the alphabet to licenses designated by the type of business. For example, a class H license became a spirits, beer and wine restaurant license and a class H private club license became a spirits, beer and wine private club license. Under the new licensing scheme, a sports facility license allows the licensee to serve spirits, beer and wine at events for consumption on the premises. References to the old alphabet licensing scheme still appear in some of the liquor laws.

Set aside of gross sales to certain retail liquor licensees.

The board must set aside 10 percent of gross sales of liquor to restaurants, private clubs and sports facilities who are licensed to sell liquor for consumption on the premises. This set aside is distributed to cities, counties, areas along the Washington-Canadian border, and the state's general fund. However, sales of spirits made to these licensees by the board are subject to a 15 percent discount. This discount is not specifically referenced in the requirement to set aside 10 percent of the gross sales for distribution. The board has been setting aside 10 percent less the 15 percent discount. This practice was the subject of a finding in a routine audit report by the state auditor for the year ending June 30, 1997.

Surety bonds for payment of liquor taxes.

A wine tax is imposed on all sales of wine to wine distributors and the Liquor Control Board. Wine distributors may be required to post a surety bond in an amount set by the board for the payment of wine taxes. Once the wine is sold, it may be picked up by the distributor at the winery or from a bonded wine warehouse. An individual may be licensed to maintain a warehouse to store bottled wine off the premises of the winery. An applicant for this license must post a tax bond in the amount of \$5,000 prior to issuance of the bonded wine warehouse license.

A beer tax is imposed on sales of beer by breweries and beer distributors. Breweries and distributors must post a surety bond for payment of the tax with the board in an amount set by the board.

Spirits, beer, and wine private club license endorsement.

A spirits, beer, and wine private club licensee may obtain an endorsement for up to 40 non-club events using club liquor. Events must be sponsored by club members and may not be open to the general public. The cost for the endorsement is an annual fee of \$900. There are a limited number of restricted spirits, beer and wine restaurant licensees that serve only qualified members. These licensees do not have a similar endorsement option.

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**Summary of Amended Bill:**

References to liquor licenses using the prior alphabet licensing designations are changed to reflect the new license designations for the type of business.

The requirement to set aside 10 percent of gross liquor sales to restaurants, private clubs and sports facilities who are licensed to sell liquor for consumption on the premises, is clarified to reflect that the amount set aside is 10 percent of gross sales less the 15 percent discount that applies to these sales.

Surety bonds for the payment of liquor taxes on the sales of wine and beer are no longer mandatory, but may be required by the board.

A spirits, beer and wine restaurant license issued to a business that serves qualified members and guests only may obtain an endorsement that allows the qualifying members to sponsor up to 40 non-club events using club liquor. The endorsement fee is \$900 annually.

**Amended Bill Compared to Substitute Bill:** Provides for an endorsement to a spirits, beer and wine restaurant license issued to a business that serves qualified members and guests only. The endorsement allows the qualifying members to sponsor up to 40 non- club events using club liquor. The endorsement fee is \$900 annually.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This is a cleanup bill following the change in the liquor license designations made a few years ago. It also brings the statute into conformity with

current practice for the calculation of the 10 percent set aside. The surety bond requirement involves about 300 licensees and more than \$9 million in bonds that are on file with the board. In the past five years, the board has collected money from only two licensees' bonds for failure to pay taxes. If the surety bond requirement was permissive, the board could impose a bond on a licensee that was evidencing problems with payment of taxes or other business related problems. For wine tax payments, the board may impose a bond and sometimes they do. For beer tax payments, the board now must impose a bond. The bill would allow the board discretion to impose a bond in all cases.

**Testimony Against:** None.

**Testified:** Chuck Dalrymple, Washington State Liquor Control Board; Phil Wayt, Washington Beer and Wine Wholesalers Association; Stuart Halsan, Washington State Federation of Clubs; and Lynn Melby, Washington State Federation of Clubs.