

HOUSE BILL REPORT

SHB 2959

As Passed Legislature

Title: An act relating to craft distilleries.

Brief Description: Concerning craft distilleries.

Sponsors: By House Committee on Commerce & Labor (originally sponsored by Representatives Wood, Ormsby, Springer, Conway, Linville, Barlow, Walsh and Quall).

Brief History:

Committee Activity:

Commerce & Labor: 1/31/08, 2/5/08 [DPS].

Floor Activity:

Passed House: 2/15/08, 89-1.

Passed Senate: 3/6/08, 47-0.

Passed Legislature.

Brief Summary of Substitute Bill

- Provides a reduced distiller license fee of \$100 for craft distilleries and defines craft distilleries.
- Allows craft distilleries to sell up to 2 liters of spirits of its own production per person per day.
- Allows craft distilleries to provide samples of its products, limited to 0.5 ounce or less and a total of 2 ounces per person per day.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Crouse, Green, Moeller and Williams.

Staff: Joan Elgee (786-7106).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

Persons manufacturing liquor in the state must obtain the appropriate license from the Liquor Control Board (Board) and pay the fee. Common manufacturing licenses include:

Brewery (60,000 barrels or more per year) \$6,000
Microbrewery (less than 60,000 barrels per year) \$ 100
Winery (250,000 liters or more per year) \$ 400
Winery (less than 250,000 liters per year) \$ 100
Distiller \$2,000

The sale and distribution of beer and wine is governed by Washington's three-tier system, in which the manufacturer, distributor, and retailer tiers are separate. Numerous exceptions, however, have been enacted. Wineries and breweries, for example, may act as retailers and sell liquor of their own production. Liquor laws also prohibit the giving away of liquor except as specified. Breweries and microbreweries, and wineries may serve beer and wine, respectively, without charge on their premises.

Under Washington's control state system for the sale of spirits, distillers are prohibited from selling spirits to any person or entity other than the Board.

Persons who serve alcohol at certain retail licensed premises must undergo alcohol server training and obtain a class 12 or class 13 alcohol server permit. A class 12 permit is for persons 21 or over who also mix drinks and a class 13 permit is for persons 18 or over and allows only the service of drinks.

Summary of Substitute Bill:

For a craft distillery, the licensing fee is \$100. A craft distiller produces 20,000 gallons or less of spirits, with at least half the raw materials used in the production grown in Washington.

A craft distiller may sell spirits of its own production for off-premises consumption, up to 2 liters per person per day. A craft distiller may also provide samples to persons on the premises. The samples are limited to 0.5 ounce samples and 2 ounces per person per day. Persons serving samples must obtain a class 12 alcohol server permit. Spirits sold on the premises or given away as samples must be purchased from the Board and sold at the retail price established by the Board.

Craft distillers are otherwise subject to the same laws as apply to other manufacturers.

Appropriation: None.**Fiscal Note:** Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed, except for section 4, which reinstates prior law related to definitions after a scheduled expirations and takes effect July 1, 2008; and section 11, relating to alcohol server permits, which takes effect on July 1, 2008.

Staff Summary of Public Testimony:

(In support) This is a new area. This bill will help all craft distiller businesses. It will level the playing field between small breweries and wineries, and craft distilleries by allowing limited samples and retailing, and the reduced fee. Distilling is an agricultural practice with the use of products such as wheat and potatoes and will promote agritourism. This bill makes a statement to the state and consumers about craft distilled spirits. Consumers need to know that the product was manufactured in the state and that most of the ingredients were grown in Washington.

(Neutral) Limited sampling and retailing are important, as well as the server training. The Board has no position on the pot still and Washington product requirements. The Board's issues are with compliance and enforcement.

(Opposed) Mandating Washington ingredients will have a detrimental effect. Sugar for rum, for example, doesn't grow in Washington and some essences and herbs are only grown outside the United States. In addition, there are no neutral grain spirits grown in Washington. The grown in Washington aspect can be addressed at the labeling stage. Regulate the product, not the producer. This bill provides no incentive to bring business here; Oregon's law is not as restrictive.

Persons Testifying: (In support) Representative Wood, prime sponsor; and Arlen Harris and Kent Fleischmann, Dry Fly Distilling.

(Neutral) Rick Garza, Washington State Liquor Control Board.

(Opposed) Robert Hess; Steven Stone, Stone Spirits; Marc Bernhard, Pacific Distillery; and Gwydion Stone, Gnostalgic Spirits.

Persons Signed In To Testify But Not Testifying: (In support) Carrie Tellefson, Distillery Representatives Association of Washington.