
Commerce & Gaming Committee

HB 1807

Brief Description: Assisting small businesses licensed to sell spirits in Washington state.

Sponsors: Representatives Condotta and Hurst.

Brief Summary of Bill

- Reduces the license issuance fees owed by specified former state-owned liquor stores and former contract liquor stores.
- Revises and lessens the sanctions that may be imposed upon a spirits retail licensee for failing to timely pay license issuance fees.
- Prohibits specified liquor licensees from selling spirits or wine at a price below their acquisition cost, unless the item being sold below cost has been in the seller's inventory for at least six months.
- Authorizes spirits retail licensees to receive spirits deliveries at the licensed premises of another such licensee.

Hearing Date: 2/9/15

Staff: Thamas Osborn (786-7129).

Background:

Spirits Retail Licensees.

Businesses licensed by the Liquor Control Board (LCB) to sell spirits at the retail level are designated as "spirits retail licensees." Such licensees generally fall into two categories: (1) grocery stores and other large retail establishments encompassing at least 10,000 feet of retail space; and (2) smaller liquor stores that are either former state-owned liquor stores or former "contract liquor stores" that sold liquor on behalf of the state pursuant to contracts with the LCB prior to the passage of Initiative Measure No. 1183 in 2011.

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.

License Issuance Fee.

All spirits retail licensees are required to pay an annual license issuance fee to the LCB. Large spirits retail licensees, with retail space exceeding 10,000 square feet, must pay a license issuance fee equivalent to 17 percent of all spirit sales revenues. Beginning on June 30, 2013, former state liquor stores and former contract liquor stores were granted a limited exemption from the payment of the 17 percent license issuance fee for specified types of spirits sales. Specifically, such stores are exempt from payment of the 17 percent fee with respect to spirits sales to those retailers licensed to sell spirits for consumption on the premises (i.e., bars and restaurants).

Spirits Delivery Locations.

A spirits retail licensee is authorized to accept delivery of spirits shipments either at its licensed premises or at one or more warehouse facilities that have been registered with the LCB.

Distributor Acquisition Costs.

A distributor or other liquor licensee acting as a distributor is prohibited from selling spirits at a price below its acquisition cost, unless the item being sold below cost has been in the seller's inventory for at least six months.

Summary of Bill:

License Issuance Fee.

Spirits retail licensees that are either former state-owned liquor stores or former contract liquor stores, and which have monthly gross receipts of \$300,000 or less, are subject to a reduced license issuance fee of 7 percent on the first \$50,000 of their monthly retail spirits sales revenues. Such licensees must pay the full 17 percent fee on revenues above the \$50,000 threshold. Licensees with monthly gross receipts of more than \$300,000 must pay the full 17 percent fee on the total amount of their monthly retail spirits sales revenues.

Sanctions for Failing to Timely Pay the License Issuance Fee.

The LCB cannot assess a monetary penalty exceeding one-half of 1 percent of the balance due against a licensee that fails to timely pay the license issuance fee.

The LCB must waive any penalty against a licensee accruing before the effective date of this act as the result of the failure to pay the license issuance fee. All penalty payments made by a licensee prior to the effective date of this act must be credited toward either the outstanding balance or future license fee payments.

During the 24 months following the effective date of this act, an operator of a former contract liquor store or former state liquor store having an outstanding balance of unpaid license issuance fees accrued prior to the effective date of this act cannot be prohibited from either: (1) reopening a closed store; (2) moving a store to a new location; or (3) transferring its licensing rights to a new licensee. Upon the expiration of the 24-month period following the effective date of this act, failure to pay the license issuance fee will be sufficient grounds for the LCB to suspend or revoke the license.

Distributor Acquisition Costs.

Liquor distributors, licensees acting as a distributor, and retailers are prohibited from selling spirits or wine at a price below their acquisition cost, unless the item being sold below cost has been in the seller's inventory for at least six months. "Acquisition cost" includes applicable license issuance fees.

Spirits Delivery Locations.

Spirit retail licensees are authorized to receive spirits deliveries at the licensed premises of another such licensee.

Appropriation: None.

Fiscal Note: Requested on 2/6/15.

Effective Date: The bill contains an emergency clause and takes effect immediately upon enactment.