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## Commerce & Gaming Committee

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### HB 1976

**Brief Description:** Concerning marketing opportunities for spirits produced in Washington by craft and general licensed distilleries.

**Sponsors:** Representatives Vick, Blake, Hurst and Tharinger.

#### Brief Summary of Bill

- Permits distilleries and craft distilleries to serve samples and sell spirits manufactured by other producers.
- Permits distilleries and craft distilleries to apply for an endorsement to sell spirits by the bottle at approved farmers markets.
- Permits qualifying farmers markets to apply for an endorsement to serve samples of spirits.
- Authorizes the Liquor Control Board to issue a special permit to distilleries to serve and sell spirits of its own production at private events.
- Permits distilleries to serve samples of spirits of their own production adulterated with nonalcoholic mixers.

**Hearing Date:** 2/9/15

**Staff:** David Rubenstein (786-7153).

#### **Background:**

##### Distiller Licenses.

The Liquor Control Board (LCB) issues licenses to distillers and craft distillers. The annual fee for a distillery license is \$2,000, and for a craft distillery the fee is \$100. To qualify as a craft distillery, the distiller must produce no more than 150,000 gallons of spirits, with at least half of the raw materials used in the production grown in Washington.

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*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.*

Distilleries and craft distilleries may sell spirits of their own production for consumption off the premises. Both distilleries and craft distilleries may also provide samples of spirits of their own production on the distillery premises. Samples must be 0.5 ounces or less, up to a maximum of 2 ounces per day per person.

While a distillery or craft distillery may sell spirits of its own production from the distillery premises and may act as a distributor of its own products, it may not ship or deliver spirits to an individual customer.

#### Farmers markets and sampling.

The LCB issues a variety of licenses and special permits for selling, serving, and handling alcohol. For example, special permits are issued to allow for the consumption of liquor at banquets and to allow a manufacturer or distributor to donate liquor to delegates and guests at conventions and international trade fairs. Unless a fee is specified in statute, the fees for permits are generally established by the LCB.

#### **Summary of Bill:**

##### Distilleries and Craft Distilleries – Sales and Sampling on Premises.

A licensed distiller or craft distiller may serve samples of spirits of its own production adulterated with nonalcoholic mixers, water, and ice.

A licensed distiller or craft distiller may serve samples of, and sell spirits produced by, other distilleries and craft distilleries. The spirits sold must be for off-premises consumption and must be purchased by the distiller either from a distributor or directly from the producer. The spirits made by other producers but sold by the distiller do not count toward the 150,000 gallon limit for a reduced license fee.

##### Farmers Markets.

A distillery or craft distillery may apply for an endorsement from the LCB that permits the distillery to sell its own bottled spirits at retail for off-premises consumption at qualifying farmers markets. The distillery must provide a list to the LCB of the dates, times, and locations at which it will be selling its spirits ahead of time. Sampling is permitted if the farmers market applies for an endorsement to allow it from the LCB.

The spirits sold at a farmers market must be made with at least half the raw materials used in the production grown in Washington. The craft distillery cannot act as a distributor at the farmers market and cannot store its product at the farmers market beyond the hours during which the spirits are for sale.

Farmers markets must apply to the LCB for authorization to allow a distillery with a qualifying endorsement to sell bottled spirits at retail at the farmers market. The farmers market must provide to the LCB a map of the market showing designated areas where the craft distillery may sell bottled spirits and contact information for onsite market managers.

Before authorizing a distillery to sell spirits at a qualifying farmers market, the LCB must notify the chief executive officer of the city (or county, if the market is located outside city limits) where the farmers market is located. The LCB must also consider the proximity of churches,

schools, and public institutions, and may not issue an authorization if the premises are within 500 feet of a public elementary or secondary school.

A qualifying farmers market is defined as an entity that sponsors a regular assembly of vendors at a defined location for the purpose of promoting the sale of agricultural products grown or produced in Washington directly to the consumer, and must meet certain specific minimum requirements described in the act. This is the same definition of qualifying farmers market as set out in the current laws permitting sale of wine or beer at farmers markets.

#### Spirits Delivery and Shipping Permit.

A licensed distillery or craft distillery may apply to the LCB for a permit to deliver or ship spirits of its own production to customers within the state. The applicant must operate a distillery or craft distillery in Washington, certify that it holds all necessary state and federal licenses and permits, and register with the Department of Revenue.

When shipping spirits, the permit holder must ensure that:

- the recipient signs for the delivery;
- the person delivering the spirits verifies the age of the recipient;
- the person delivering the spirits verifies that the recipient does not appear intoxicated;
- the recipient verifies that the spirits are for personal use and not for resale or distribution; and
- each package is clearly labeled as undeliverable to an intoxicated person or a person under 21 years of age.

Permit holders must pay applicable state and local sales and use taxes, but sales for shipment and delivery are treated as sales from a craft distiller's tasting room for the purposes of the spirits retail license fee and spirits distributor license fee. Permit holders must submit a monthly report to the LCB detailing the deliveries or shipment in the previous month.

Permit holders who advertise for direct shipment must clearly and conspicuously display the permit holder's license number in its advertising.

If a permit holder violates the law regarding shipping spirits, the LCB must suspend or revoke the permit.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.