**2609-S AMH TARL H4756.2 - NOT FOR FLOOR USE**

**SHB 2609** - H AMD **1084**

By Representative Tarleton

Strike everything after the enacting clause and insert the following:

"**Sec.**  RCW 66.24.140 and 2017 c 260 s 1 are each amended to read as follows:

(1) There is a license to distillers, including blending, rectifying, and bottling; fee two thousand dollars per annum, unless provided otherwise as follows:

(a) For distillers producing one hundred fifty thousand gallons or less of spirits with at least half of the raw materials used in the production grown in Washington, the license fee must be reduced to one hundred dollars per annum;

(b) The board must license stills used and to be used solely and only by a commercial chemist for laboratory purposes, and not for the manufacture of liquor for sale, at a fee of twenty dollars per annum;

(c) The board must license stills used and to be used solely and only for laboratory purposes in any school, college, or educational institution in the state, without fee; and

(d) The board must license stills that have been duly licensed as fruit and/or wine distilleries by the federal government, used and to be used solely as fruit and/or wine distilleries in the production of fruit brandy and wine spirits, at a fee of two hundred dollars per annum.

(2) Any distillery licensed under this section may:

(a) Sell, for off-premises consumption, spirits of ((~~its~~)) the distillery's own production ((~~for consumption off the premises~~)), spirits produced by another distillery or craft distillery licensed in this state, or vermouth or sparkling wine products produced by a licensee in this state. A distillery selling spirits or other alcohol authorized under this subsection must comply with the applicable laws and rules relating to retailers;

(b) Contract distilled spirits for, and sell contract distilled spirits to, holders of distillers' or manufacturers' licenses, including licenses issued under RCW 66.24.520, or for export; and

(c) ((~~Provide samples subject to the following conditions:~~

~~(i) For the purposes of this subsection, the maximum amount of alcohol per person per day is two ounces;~~

~~(ii) Provide free or for a charge one-half ounce or less samples of spirits of its own production to persons on the premises of the distillery. Spirits samples may be adulterated with nonalcoholic mixers, mixers with alcohol of the distiller's own production, water, and/or ice;~~

~~(iii) Sell adulterated samples of spirits of their own production, water, and/or ice to persons on the premises at the distillery; and~~

~~(iv) Every person who participates in any manner in the service of these samples must obtain a class 12 alcohol server permit~~)) Serve samples of spirits for free or for a charge, and sell servings of spirits, vermouth, and sparkling wine to customers for on-premises consumption, at the premises of the distillery and at the distillery's off-site tasting rooms in accordance with section 3 of this act, subject to the following conditions:

(i) A distillery may provide to customers, for free or for a charge, for on-premises consumption, spirits samples that are one-half ounce or less per sample of spirits, and that may be adulterated with water, ice, other alcohol entitled to be served or sold on the licensed premises under this section, or nonalcoholic mixers. A person receiving free samples of spirits is limited to receiving no more than a total of two ounces of free spirits and other free alcohol, combined, per day;

(ii) A distillery may sell, for on-premises consumption, servings of spirits of the distillery's own production or spirits produced by another distillery or craft distillery licensed in this state, which must be adulterated with water, ice, other alcohol entitled to be sold or served on the licensed premises, or nonalcoholic mixers; and

(iii) A distillery may sell, for on-premises consumption, servings of vermouth or sparkling wine products produced by a licensee in this state.

(3)(a) If a distillery provides or sells spirits or other alcohol products authorized to be sold or provided to customers for on-premises or off-premises consumption that are produced by another distillery, craft distillery, or licensee in this state, then at any one time no more than twenty-five percent of the alcohol stock-keeping units offered or sold by the distillery at its distillery premises and at any off-site tasting rooms licensed under section 3 of this act may be vermouth, sparkling wine, or spirits made by another distilled spirits producer or licensee.

(b) A person is limited to receiving or purchasing, for on-premises consumption, no more than two ounces total of spirits that are unadulterated. Any additional spirits purchased for on-premises consumption must be adulterated as authorized in this section.

(c) After 8:00 p.m., no person under twenty-one years of age may enter or remain on a distillery's premises in an area where alcohol is sampled, sold, or served, or on the premises of a distillery's off-site tasting room licensed under section 3 of this act.

(d) Any person serving or selling spirits or other alcohol authorized to be served or sold by a distillery must obtain a class 12 alcohol server permit.

(e) A distillery may sell nonalcoholic products at retail.

**Sec.**  RCW 66.24.145 and 2015 c 194 s 2 are each amended to read as follows:

(1)(a) Any craft distillery may sell, for off-premises consumption, spirits of its own production ((~~for consumption off the premises~~)), spirits produced by another craft distillery or distillery licensed in this state, and vermouth and sparkling wine products produced by a licensee in this state.

(b) A craft distillery selling spirits or other alcohol authorized under this subsection must comply with the applicable laws and rules relating to retailers.

(2) Any craft distillery may contract distilled spirits for, and sell contract distilled spirits to, holders of distillers' or manufacturers' licenses, including licenses issued under RCW 66.24.520, or for export.

(3) Any craft distillery licensed under this section may ((~~provide, free or for a charge, one~~‑~~half ounce or less samples of spirits of its own production to persons on the premises of the distillery. The maximum total per person per day is two ounces. Every person who participates in any manner in the service of samples must obtain a class 12 alcohol server permit. Spirits samples may be adulterated with nonalcoholic mixers, water, and/or ice.~~

~~(4)~~)) serve samples of spirits for free or for a charge, and sell servings of spirits, vermouth, and sparkling wine products to customers for on-premises consumption, at the premises of the distillery and at the distillery's off-site tasting rooms, subject to the following conditions:

(a) A craft distillery may provide to customers, for free or for a charge, for on-premises consumption, spirits samples that are one-half ounce or less per sample of spirits, and that may be adulterated with water, ice, other alcohol entitled to be sold or served on the licensed premises, or nonalcoholic mixers. A person receiving free samples of spirits is limited to receiving no more than a total of two ounces of free spirits and other free alcohol, combined, per day;

(b) A craft distillery may sell, for on-premises consumption, servings of spirits of the craft distillery's own production and spirits produced by another craft distillery or distillery licensed in this state, which must be adulterated with water, ice, other alcohol entitled to be sold or served on the licensed premises, or nonalcoholic mixers; and

(c) A distillery may sell, for on-premises consumption, servings of vermouth or sparkling wine products produced by a licensee in this state.

(4)(a) If a craft distillery provides or sells spirits or other alcohol products authorized to be sold or provided to customers for on-premises or off-premises consumption that are produced by another distillery, craft distillery, or licensee in this state, then at any one time no more than twenty-five percent of the alcohol stock-keeping units offered or sold by the craft distillery at its craft distillery premises and at any off-site tasting rooms licensed under section 3 of this act may be vermouth, sparkling wine, or spirits made by another distilled spirits producer or licensee.

(b) A person is limited to receiving or purchasing, for on-premises consumption, no more than two ounces total of spirits that are unadulterated. Any additional spirits purchased for on-premises consumption must be adulterated.

(c) Any person serving or selling spirits or other alcohol authorized to be served or sold by a craft distillery must obtain a class 12 alcohol server permit.

(5)(a) A distillery or craft distillery licensee may apply to the board for an endorsement to sell spirits of its own production at retail for off-premises consumption at a qualifying farmers market. The annual fee for this endorsement is seventy-five dollars.

(b) For each month during which a distillery or craft distillery will sell spirits at a qualifying farmers market, the distillery or craft distillery must provide the board or its designee a list of the dates, times, and locations at which bottled spirits may be offered for sale. This list must be received by the board before the spirits may be offered for sale at a qualifying farmers market.

(c) Each approved location in a qualifying farmers market is deemed to be part of the distillery or craft distillery license for the purpose of this title. The approved locations under an endorsement granted under this subsection do not include tasting or sampling privileges. The distillery or craft distillery may not store spirits at a farmers market beyond the hours that the bottled spirits are offered for sale. The distillery or craft distillery may not act as a distributor from a farmers market location.

(d) Before a distillery or craft distillery may sell bottled spirits at a qualifying farmers market, the farmers market must apply to the board for authorization for any distillery or craft distillery with an endorsement approved under this subsection to sell bottled spirits at retail at the farmers market. This application must include, at a minimum: (i) A map of the farmers market showing all booths, stalls, or other designated locations at which an approved distillery or craft distillery may sell bottled spirits; and (ii) the name and contact information for the on-site market managers who may be contacted by the board or its designee to verify the locations at which bottled spirits may be sold. Before authorizing a qualifying farmers market to allow an approved distillery or craft distillery to sell bottled spirits at retail at its farmers market location, the board must notify the persons or entities of such application for authorization pursuant to RCW 66.24.010 (8) and (9). An authorization granted under this subsection ((~~(4)~~)) (5)(d) may be withdrawn by the board for any violation of this title or any rules adopted under this title.

(e) For the purposes of this subsection ((~~(4)~~)) (5), "qualifying farmers market" has the same meaning as defined in RCW 66.24.170.

((~~(5)~~)) (6) The board must adopt rules to implement the alcohol server permit requirement and may adopt additional rules to implement this section.

((~~(6)~~)) (7) Distilling is an agricultural practice.

(8) After 8:00 p.m., no person under twenty-one years of age may enter or remain on a craft distillery's premises in an area where alcohol is sampled, sold, or served, or on the premises of a craft distillery's off-site tasting room licensed under section 3 of this act.

(9) A craft distillery may sell nonalcoholic products at retail.

NEW SECTION. **Sec.**  A new section is added to chapter 66.24 RCW to read as follows:

(1)(a) There is a tasting room license available to distillery and craft distillery licensees. A tasting room license authorizes the operation of an off-site tasting room at which the licensee may sample, serve, and sell spirits and alcohol products authorized to be sampled, served, and sold under RCW 66.24.140 and 66.24.145, for on-premises and off-premises consumption, subject to the same limitations as provided in RCW 66.24.140 and 66.24.145.

(b) A distillery or craft distillery licensee is eligible for no more than two tasting room licenses. A separate license is required for the operation of each off-site tasting room. The fee for the first off-site tasting room license is one hundred dollars per annum. The fee for the second off-site tasting room license is one thousand dollars per annum. No license is required for a distillery or craft distillery to sample, serve, and sell spirits and alcohol to customers on the distillery or craft distillery premises as authorized under RCW 66.24.140 and 66.24.145.

(2)(a) After 8:00 p.m., no person under twenty-one years of age may enter or remain on the premises of a tasting room licensed under this section.

(b) Any person serving or selling spirits or other alcohol authorized to be served or sold by a craft distillery must obtain a class 12 alcohol server permit.

NEW SECTION. **Sec.**  A new section is added to chapter 66.24 RCW to read as follows:

(1) Of the off-site tasting rooms allowed in this chapter, any distillery, craft distillery, domestic winery, or any combination of licensees thereof, licensed under this chapter may jointly occupy and co-operate up to two off-site locations at which they may sample, serve, and sell products of their own production and products authorized to be sampled, served, and sold under the terms of their license. The licensees must maintain separate storage of products and separate financials.

(2) Any domestic brewery, microbrewery, domestic winery, distillery, or craft distillery licensed under this chapter, or any combination of licensees thereof, whose property parcels or buildings are located in direct physical proximity to one another may share a standing or seated tasting area for patrons to use. Each licensee may sample, serve, and sell products the licensee is authorized to sample, serve, and sell under the terms of its license, for on-premises consumption in the jointly operated consumption area.

(3) Licensees operating under this section must comply with the applicable laws and rules relating to retailers.

(4) Licensees operating under this section must comply with all applicable laws and rules relating to sampling and serving, as may be allowed by their license type.

(5) All licensees who participate in:

(a) A jointly operated off-premises location allowed under subsection (1) of this section, or

(b) A conjoined consumption area allowed under subsection (2) of this section,

must share staffing resources and each licensee is responsible in the event of any enforcement issues, even if the enforcement issue was due only to one licensee's conduct.

(6) Every person who participates in any manner in the sale or service of samples or servings of spirits must obtain a class 12 alcohol server permit. Every person who participates in any manner in the sale or service of samples or servings of beer and wine must obtain a class 12 or class 13 alcohol server permit.

**Sec.**  RCW 66.28.040 and 2016 c 235 s 15 are each amended to read as follows:

(1) Except as permitted by the board under RCW 66.20.010, no domestic brewery, microbrewery, distributor, distiller, domestic winery, importer, rectifier, certificate of approval holder, or other manufacturer of liquor may, within the state of Washington, give to any person any liquor((~~; but~~)).

(2) Nothing in this section nor in RCW 66.28.305 prevents a domestic brewery, microbrewery, distributor, domestic winery, distiller, certificate of approval holder, or importer from furnishing samples of beer, wine, or spirituous liquor to authorized licensees for the purpose of negotiating a sale, in accordance with regulations adopted by the liquor and cannabis board, provided that the samples are subject to taxes imposed by RCW 66.24.290 and 66.24.210((~~;~~)).

(3) Nothing in this section prevents a domestic brewery, microbrewery, domestic winery, distillery, certificate of approval holder, or distributor from furnishing beer, wine, or spirituous liquor for instructional purposes under RCW 66.28.150((~~;~~)).

(4) Nothing in this section prevents a domestic winery, certificate of approval holder, or distributor from furnishing wine without charge, subject to the taxes imposed by RCW 66.24.210, to a not-for-profit group organized and operated solely for the purpose of enology or the study of viticulture which has been in existence for at least six months and that uses wine so furnished solely for such educational purposes or a domestic winery, or an out-of-state certificate of approval holder, from furnishing wine without charge or a domestic brewery, or an out-of-state certificate of approval holder, from furnishing beer without charge, subject to the taxes imposed by RCW 66.24.210 or 66.24.290, or a domestic distiller licensed under RCW 66.24.140 or an accredited representative of a distiller, manufacturer, importer, or distributor of spirituous liquor licensed under RCW 66.24.310, from furnishing spirits without charge, to a nonprofit charitable corporation or association exempt from taxation under 26 U.S.C. Sec. 501(c)(3) or (6) of the internal revenue code of 1986 for use consistent with the purpose or purposes entitling it to such exemption((~~;~~)).

(5) Nothing in this section prevents a domestic brewery or microbrewery from serving beer without charge, on the brewery premises((~~;~~)).

(6) Nothing in this section prevents donations of wine for the purposes of RCW 66.12.180((~~;~~)).

(7) Nothing in this section prevents a domestic winery from serving wine without charge, on the winery premises((~~; and~~)).

(8) Nothing in this section prevents a craft distillery from serving spirits, ((~~on the distillery premises subject to RCW 66.24.145~~)) including spirits adulterated with other alcohol entitled to be served or sold under RCW 66.24.140 or 66.24.145, to customers on the distillery premises or at an off-site tasting room as authorized under the terms of the license.

**Sec.**  RCW 66.24.630 and 2017 c 96 s 4 are each amended to read as follows:

(1) There is a spirits retail license to: Sell spirits in original containers to consumers for consumption off the licensed premises and to permit holders; sell spirits in original containers to retailers licensed to sell spirits for consumption on the premises, for resale at their licensed premises according to the terms of their licenses, although no single sale may exceed twenty-four liters, unless the sale is by a licensee that was a contract liquor store manager of a contract liquor store at the location of its spirits retail licensed premises from which it makes such sales; and export spirits.

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) To other registered facilities; or

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

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

(4)(a) Except as otherwise provided in RCW 66.24.632, or in (b) of this subsection, each spirits retail licensee must pay to the board, for deposit into the liquor revolving fund, a license issuance fee equivalent to seventeen percent of all spirits sales revenues under the license, exclusive of taxes collected by the licensee and of sales of items on which a license fee payable under this section has otherwise been incurred. The board must establish rules setting forth the timing of such payments and reporting of sales dollar volume by the licensee, with payments required quarterly in arrears. The first payment is due October 1, 2012.

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

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

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

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

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

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

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

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

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

(i) Provide ongoing training to employees;

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

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

(iv) Post specific signs in the business; and

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

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

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

**Sec.**  RCW 66.28.310 and 2015 c 94 s 1 are each amended to read as follows:

(1)(a) Nothing in RCW 66.28.305 prohibits an industry member from providing retailers branded promotional items which are of nominal value, singly or in the aggregate. Such items include but are not limited to: Trays, lighters, blotters, postcards, pencils, coasters, menu cards, meal checks, napkins, clocks, mugs, glasses, bottles or can openers, corkscrews, matches, printed recipes, shirts, hats, visors, and other similar items. Branded promotional items:

(i) Must be used exclusively by the retailer or its employees in a manner consistent with its license;

(ii) Must bear imprinted advertising matter of the industry member only, except imprinted advertising matter of the industry member can include the logo of a professional sports team which the industry member is licensed to use;

(iii) May be provided by industry members only to retailers and their employees and may not be provided by or through retailers or their employees to retail customers; and

(iv) May not be targeted to or appeal principally to youth.

(b) An industry member is not obligated to provide any such branded promotional items, and a retailer may not require an industry member to provide such branded promotional items as a condition for selling any alcohol to the retailer.

(c) Any industry member or retailer or any other person asserting that the provision of branded promotional items as allowed in (a) of this subsection has resulted or is more likely than not to result in undue influence or an adverse impact on public health and safety, or is otherwise inconsistent with the criteria in (a) of this subsection may file a complaint with the board. Upon receipt of a complaint the board may conduct such investigation as it deems appropriate in the circumstances. If the investigation reveals the provision of branded promotional items has resulted in or is more likely than not to result in undue influence or has resulted or is more likely than not to result in an adverse impact on public health and safety or is otherwise inconsistent with (a) of this subsection the board may issue an administrative violation notice to the industry member, to the retailer, or both. The recipient of the administrative violation notice may request a hearing under chapter 34.05 RCW.

(2) Nothing in RCW 66.28.305 prohibits:

(a) An industry member from providing to a special occasion licensee and a special occasion licensee from receiving services for:

(i) Installation of draft beer dispensing equipment or advertising;

(ii) Advertising, pouring, or dispensing of beer or wine at a beer or wine tasting exhibition or judging event; or

(iii) Pouring or dispensing of spirits by a licensed domestic distiller or the accredited representative of a distiller, manufacturer, importer, or distributor of spirituous liquor licensed under RCW 66.24.310; or

(b) Special occasion licensees from paying for beer, wine, or spirits immediately following the end of the special occasion event; or

(c) Wineries, breweries, or distilleries that are participating in a special occasion event from paying reasonable booth fees to the special occasion licensee.

(3) Nothing in RCW 66.28.305 prohibits industry members from performing, and retailers from accepting the service of building, rotating, and restocking displays and stockroom inventories; rotating and rearranging can and bottle displays of their own products; providing point of sale material and brand signs; pricing case goods of their own brands; and performing such similar business services consistent with board rules, or personal services as described in subsection (5) of this section.

(4) Nothing in RCW 66.28.305 prohibits:

(a) Industry members from listing on their internet web sites information related to retailers who sell or promote their products, including direct links to the retailers' internet web sites; and

(b) Retailers from listing on their internet web sites information related to industry members whose products those retailers sell or promote, including direct links to the industry members' web sites; or

(c) Industry members and retailers from producing, jointly or together with regional, state, or local industry associations, brochures and materials promoting tourism in Washington state which contain information regarding retail licensees, industry members, and their products.

(5) Nothing in RCW 66.28.305 prohibits the performance of personal services offered from time to time by a domestic winery or certificate of approval holder to retailers when the personal services are (a) conducted at a licensed premises, and (b) intended to inform, educate, or enhance customers' knowledge or experience of the manufacturer's products. The performance of personal services may include participation and pouring, bottle signing events, and other similar informational or educational activities at the premises of a retailer holding a spirits, beer, and wine restaurant license, a wine and/or beer restaurant license, a specialty wine shop license, a special occasion license, a grocery store license with a tasting endorsement, or a private club license. A domestic winery or certificate of approval holder is not obligated to perform any such personal services, and a retail licensee may not require a domestic winery or certificate of approval holder to conduct any personal service as a condition for selling any alcohol to the retail licensee, or as a condition for including any product of the domestic winery or certificate of approval holder in any tasting conducted by the licensee. Except as provided in RCW 66.28.150, the cost of sampling may not be borne, directly or indirectly, by any domestic winery or certificate of approval holder or any distributor. Nothing in this section prohibits wineries, breweries, microbreweries, certificate of approval holders, and retail licensees from identifying the producers on private labels authorized under RCW 66.24.400, 66.24.425, 66.24.450, 66.24.360, and 66.24.371.

(6) Nothing in RCW 66.28.305 prohibits an industry member from entering into an arrangement with any holder of a sports entertainment facility license or an affiliated business for brand advertising at the licensed facility or promoting events held at the sports entertainment facility as authorized under RCW 66.24.570.

(7) Nothing in RCW 66.28.305 prohibits the performance of personal services offered from time to time by a domestic brewery, microbrewery, or beer certificate of approval holder to grocery store licensees with a tasting endorsement when the personal services are (a) conducted at a licensed premises in conjunction with a tasting event, and (b) intended to inform, educate, or enhance customers' knowledge or experience of the manufacturer's products. The performance of personal services may include participation and pouring, bottle signing events, and other similar informational or educational activities. A domestic brewery, microbrewery, or beer certificate of approval holder is not obligated to perform any such personal services, and a grocery store licensee may not require the performance of any personal service as a condition for including any product in any tasting conducted by the licensee.

(8) Nothing in RCW 66.28.305 prohibits an arrangement between a domestic winery and a restaurant licensed under RCW 66.24.320 or 66.24.400 to waive a corkage fee.

(9) Nothing in this section prohibits professional sports teams who hold a retail liquor license or their agents from accepting bona fide liquor advertising from manufacturers, importers, distributors, or their agents for use in the sporting arena. Professional sports teams who hold a retail liquor license or their agents may license the manufacturer, importer, distributor, or their agents to use the name and trademarks of the professional sports team in their advertising and promotions, under the following conditions:

(a) Such advertising must be paid for by said manufacturer, importer, distributor, or their agent at the published advertising rate or at a reasonable fair market value.

(b) Such advertising may carry with it no express or implied offer on the part of the manufacturer, importer, distributor, or their agent, or promise on the part of the retail licensee whose operation is directly or indirectly part of the sporting arena, to stock or list any particular brand of liquor to the total or partial exclusion of any other brand.

(10) Nothing in RCW 66.28.305 prohibits a licensed domestic brewery or microbrewery from providing branded promotional items which are of nominal value, singly or in the aggregate, to a nonprofit charitable corporation or association exempt from taxation under 26 U.S.C. Sec. 501(c)(3) of the internal revenue code as it existed on July 24, 2015, for use consistent with the purpose or purposes entitling it to such exemption.

(11) Nothing in RCW 66.28.305 prohibits a distillery, craft distillery, or spirits certificate of approval holder from providing branded promotional items which are of nominal value, singly or in the aggregate, to a nonprofit charitable corporation or association exempt from taxation under Title 26 U.S.C. Sec. 501(c)(3) of the federal internal revenue code of 1986, as amended, as of the effective date of this section, for use consistent with the purpose or purposes entitling it to such exemption.

NEW SECTION. **Sec.**  (1)(a) The state liquor and cannabis board shall, in consultation with the department of revenue, study the benefits and costs of restructuring the distillery licensing and fee structure as described in subsection (2) of this section, including benefits resulting from the increased use of Washington-grown materials in spirits production in the state.

(b) As part of the study, the board must convene meetings in at least three locations in the state at which stakeholders and the public have an opportunity to provide input on the proposal. The board shall submit a report to the appropriate committees of the legislature by December 1, 2018, reporting the study's findings and, if the board deems it appropriate, any recommendations.

(2)(a) The proposed restructure of the distillery licensing and fee structure subject to the study has the following components:

(i) The elimination of the distillery license and craft distillery license and the creation of a new license for distilled spirits producers that does not distinguish applicants for licensing purposes based on the percentage of raw materials used in production grown in Washington, and distinguishes applicants for licensing purposes based on the number of gallons of spirits produced annually only for purposes of determining the amount of the annual licensing fee;

(ii) The creation of a new license type for businesses that are primarily engaged in the marketing of one or more brands of distilled spirits without being substantially involved in the distillation, redistillation, rectification, blending, flavoring, or bottling of spirits;

(iii) The establishment of annual licensing fees for distilled spirits producers ranging from three hundred to five thousand dollars based on the number of gallons of spirits produced annually, and the establishment of annual licensing fees for distilled spirits brand owners described in (a)(ii) of this subsection ranging from two thousand five hundred dollars to five thousand dollars, depending on the number of gallons of spirits produced annually; and

(iv) The modification of the application of the seventeen percent spirits retail license issuance fee in RCW 66.24.630(4) to distilled spirits producers who sell spirits of their own production, to establish an exemption from the fee for distilled spirits producers producing spirits with at least seventy percent of the raw materials used in the production grown in the state of Washington, and a credit against the fee of up to seventy-five percent for distilled spirits producers producing spirits with less than seventy percent of the raw materials used in the production grown in the state of Washington.

(b) The state liquor and cannabis board may, in its discretion, study or recommend additional changes to the distillery licensing and fee structure in the study in addition to the proposed changes in (a) of this subsection.

(3) This section expires January 1, 2019.

NEW SECTION. **Sec.**  If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec.**  Sections 1 through 7 and 9 of this act take effect July 1, 2018."

Correct the title.

EFFECT: (1) Removes the provisions that created new license types and eliminated the distillery and craft distillery licenses, to restore the existing distillery and craft distillery licenses.

(2) Removes the new authorization regarding sampling spirits at farmers markets. Removes the new endorsement authorizing samples and sales direct to customers at an event held under a nonprofit organization's special occasion license.

(3) Provides that distilleries and craft distilleries new privileges include the following:

(a) Selling and serving spirits of the distillery or craft distillery's own production, and spirits, vermouth, and sparkling wine produced by another licensee in the state, for on-premises and off-premises consumption, from the distillery premises and up to two off-site tasting rooms that each require a separate license;

(b) Operating joint off-site tasting rooms and conjoined consumption areas with other alcohol manufacturers (still subject to the limit of two off-site tasting rooms for distilleries and craft distilleries); and

(c) Providing branded promotional items of nominal value to nonprofits exempt from taxation under section 501(c)(3) of the Internal Revenue Code.

(4) Requires servings of spirits sold for on-premises consumption by a distillery or craft distillery to be adulterated (while retaining the authorization for unadulterated spirits samples that may be one-half ounce or less in size and are subject to a two ounce limit per person per day).

(5) Prohibits minors, after 8:00 p.m., from entering or remaining on the premises of a distillery or craft distillery in an area where alcohol is sampled, sold, or served, or on the premises of an off-site tasting room.

(6) Removes all provisions that restructured how the 17 percent spirits retail license issuance fee applies, including removing the new exemption from the fee and the new credit against the fee. Provides that the existing exemption for craft distilleries from the 17 percent fee applies only to a craft distillery's sales of spirits of its own production.

(7) Requires the Liquor and Cannabis Board to study, convene public meetings, and submit a report to the legislature by December 1, 2018, on a proposal to modify the distillery licensing and fee structure to eliminate the distillery and craft distillery licenses, create new licenses with new annual licensing fees, and modify the application of the 17 percent spirits retail license issuance fee to distilled spirits producers to create a new exemption from the fee and a new credit against the fee based on the percentage of raw materials used in spirits production grown in Washington.

(8) Changes the effective date to July 1, 2018, from January 1, 2019.