S-1582.1

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SENATE BILL 5834**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**State of Washington 65th Legislature 2017 Regular Session**

**By** Senator Baumgartner

AN ACT Relating to licensing of bonded spirits warehouses; amending RCW 66.24.640; and adding a new section to chapter 66.24 RCW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

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

(1) There shall be a license for bonded spirits warehouses that authorizes the storage and handling of bulk, barreled, or bottled spirits. Under this license a licensee may maintain a warehouse for the storage of bottled, barreled, or bulk spirits off the premises of a distillery for distillers qualified under RCW 66.24.140, 66.24.145, 66.24.150, or entities otherwise licensed and permitted in this state, or bulk or barreled spirits transferred in bond from out-of-state distilleries, so long as the storage of the bulk or barreled spirits transferred into the state is for storage only and not for processing or bottling in the bonded spirits warehouse.

(2) The board must adopt similar qualifications for a bonded spirits warehouse license as required for obtaining a distillery license as specified in RCW 66.24.140, 66.24.145, and 66.24.150. A licensee must be a sole proprietor, a partnership, a limited liability company, a corporation, a port authority, a city, a county, or any other public entity or subdivision of the state that elects to license a bonded spirits warehouse as an agricultural or economic development activity. One or more domestic distilleries or manufacturers may operate as a partnership, corporation, business co-op, cotenant, or agricultural co-op for the purposes of obtaining a bonded spirits warehouse license or storing spirits in the facility under a common management and oversight agreement free of charge or for a fee.

(3) All bottled spirits shipped to a bonded spirits warehouse from a distillery or another bonded spirits warehouse must remain under bond and no tax may be imposed while under bonded storage.

(4) Spirits may be removed from a bonded spirits warehouse for purposes of being (a) exported from the state, (b) shipped to a licensed Washington spirits distributor, (c) shipped to a licensed spirits retailer, (d) returned to a distillery or bonded spirits warehouse, (e) transferred to a distillery, bonded spirits warehouse, or bottling or packaging facility, or (f) shipped to a consumer pursuant to RCW 66.20.410.

(5) Warehousing of spirits by any person other than (a) a licensed domestic distillery, (b) a bonded spirits warehouse licensee licensed under the provisions of this section, (c) a licensed Washington spirits distributor, (d) a licensed Washington spirits importer, or (e) a spirits certificate of approval holder is prohibited.

(6) The ownership and operation of a bonded spirits warehouse facility licensed under this section may be by a person or entity other than those described in this subsection acting in a commercial warehouse management position under contract for such licensed persons or entities on their behalf.

(7) A license applicant shall demonstrate the right to have warehoused spirits under a valid federal permit held by a properly licensed licensee who maintains ownership and title to the spirits while they are in storage in the bonded spirits warehouse. The fee for this license is one hundred dollars per annum.

(8) The board must adopt rules requiring a bonded spirits warehouse to be physically secure, zoned for the intended use, and physically separated from any other use.

(9) The operator or licensee operating a bonded spirits warehouse must submit to the board a monthly report of movement of bulk, barreled, or bottled spirits to and from a bonded spirits warehouse in a form prescribed by the board. The board may adopt other necessary procedures by which bonded spirits warehouses are licensed and regulated.

(10) The board may require a single annual permit valid for a full calendar year issued to each licensee or entity warehousing spirits in a bonded spirits warehouse that must allow for unlimited transfers to and from such warehouse within that year. The fee for this permit is one hundred dollars per annum.

(11) Handling of bottled spirits, as provided for in this section, includes packaging and repackaging services; bottle labeling services; creating baskets or variety packs that may or may not include nonspirits products; and picking, packing, and shipping spirits orders direct to consumer. A distillery contracting with a bonded spirits warehouse for handling bottled spirits must comply with all applicable state and federal laws and must be responsible for financial transactions in direct to consumer shipping activities.

**Sec.**  RCW 66.24.640 and 2012 c 2 s 206 are each amended to read as follows:

Any distiller licensed under this title may act as a retailer and/or distributor to retailers selling for consumption on or off the licensed premises of spirits of its own production, and any manufacturer, importer, or bottler of spirits holding a certificate of approval may act as a distributor of spirits it is entitled to import into the state under such certificate. The board must by rule provide for issuance of certificates of approval to spirits suppliers. An industry member operating as a distributor and/or retailer under this section must comply with the applicable laws and rules relating to distributors and/or retailers, except that a distillery licensed under RCW 66.24.140 or 66.24.145 or an industry member operating as a distributor under this section may maintain a warehouse off the distillery premises for ((~~the distribution of spirits of its own production~~)) storage or distribution of spirits to spirits retailers within the state, if the warehouse is within the United States and has been approved by the board.

**--- END ---**