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## Commerce & Gaming Committee

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### ESSB 5145

**Brief Description:** Equalizing differences between the liquor industries regarding certain sales of alcohol carrying a private label.

**Sponsors:** Senate Committee on Commerce, Labor & Sports (originally sponsored by Senators Liias and Walsh).

#### Brief Summary of Engrossed Substitute Bill

- Establishes that, consistent with the tied-house laws, distillers, craft distilleries, and manufacturers of spirits may identify the producers on spirits carrying a private label, to the same extent as authorized for wineries, breweries, microbreweries, certificate of approval holders, and retail licensees.
- Establishes that beer, wine, or spirits private label items may be produced, distributed, or sold by any person to the same extent that person is otherwise properly licensed to produce, distribute, or sell beer, wine, or spirits generally.
- Provides that a beer, wine, or spirits distributor must, to the extent it is reasonably practicable for the distributor to do so, make any product the distributor acquires for resale available to any person legally entitled to purchase such product.

**Hearing Date:** 3/20/17

**Staff:** Peter Clodfelter (786-7127).

#### **Background:**

Washington's "tied house" laws regulate the relationship between liquor manufacturers, distributors, and retailers. In general, tied house laws are meant to regulate how liquor is marketed and prevent the vertical integration of the three tiers of the liquor industry. The general rule is that no industry member may advance, and no retailer may receive, monies or monies' worth under an agreement or by means of any other business practice or arrangement.

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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.*

An exception exists for the wine and beer industry that authorizes wineries, breweries, certificate of approval holders, and retail licensees to identify the producers on certain private-label beer and wine. Generally speaking, a private label is where the label on a bottle of alcohol carries the brand name of the liquor retailer selling the alcohol, such as a restaurant or grocery store, but is produced by an alcohol producer such as a winery or brewery.

The Liquor and Cannabis Board (LCB) licenses various types of liquor manufacturers, including the following: distillers; craft distilleries; manufacturers of liquor; domestic wineries; domestic breweries; microbreweries; and out-of-state breweries, wineries, and distillers.

The LCB licenses spirits distributors, wine distributors, and beer distributors. Additionally, alcohol manufacturers may generally self-distribute alcohol of their own production and act as a retailer of alcohol of their own production.

The LCB licenses alcohol retailers that may sell alcohol to consumers either in drinks by the glass for on-premises consumption, or in bottles or containers for off-premises consumption. Retailers of alcohol licensed by the LCB include the following: beer and wine restaurants; spirits, beer, and wine restaurants; private clubs; spirits retail licensees (includes large establishments such as grocery stores and beer and wine specialty shops encompassing at least 10,000 square feet of retail space as well as former state-owned liquor stores and former contract liquor stores); snack bars; grocery stores; beer and wine specialty shops; beer and wine private clubs; nonprofit arts organizations; growers of grapes or other agricultural products; motels; sports entertainment facilities; public houses; spirits, beer, and wine nightclubs; VIP airport lounge operators; taverns; theaters; senior centers; caterers; and special occasion events.

**Summary of Bill:**

Consistent with the tied-house laws, distillers, craft distilleries, and manufacturers of spirits may identify the producers on spirits carrying a private label, to the same extent as authorized for wineries, breweries, microbreweries, certificate of approval holders, and retail licensees.

It is established that beer, wine, or spirits private label items may be produced, distributed, or sold by any person to the same extent that person is otherwise properly licensed to produce, distribute, or sell beer, wine, or spirits generally.

A beer, wine, or spirits distributor must, to the extent it is reasonably practicable for the distributor to do so, make any product the distributor acquires for resale available to any person legally entitled to purchase such product.

**Appropriation:** None.

**Fiscal Note:** Available.

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