
HOUSE BILL 2792

State of Washington

65th Legislature

2018 Regular Session

By Representatives Chapman and Blake

Read first time 01/16/18. Referred to Committee on Commerce & Gaming.

1 AN ACT Relating to spirits retailers; and amending RCW 66.24.620
2 and 66.24.630.

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

4 **Sec. 1.** RCW 66.24.620 and 2012 c 2 s 102 are each amended to
5 read as follows:

6 (1) The holder of a spirits distributor license or spirits retail
7 license issued under this title may commence sale of spirits upon
8 issuance thereof, but in no event earlier than March 1, 2012, for
9 distributors, or June 1, 2012, for retailers. The board must complete
10 application processing by those dates of all complete applications
11 for spirits licenses on file with the board on or before sixty days
12 from December 8, 2011.

13 (2) The board must effect orderly closure of all state liquor
14 stores no later than June 1, 2012, and must thereafter refrain from
15 purchase, sale, or distribution of liquor, except for asset sales
16 authorized by chapter 2, Laws of 2012.

17 (3) The board must devote sufficient resources to planning and
18 preparation for sale of all assets of state liquor stores and
19 distribution centers, and all other assets of the state over which
20 the board has power of disposition, including without limitation
21 goodwill and location value associated with state liquor stores, with

1 the objective of depleting all inventory of liquor by May 31, 2012,
2 and closing all other asset sales no later than June 1, 2013. The
3 board, in furtherance of this subsection, may sell liquor to spirits
4 licensees.

5 (4)(a) Disposition of any state liquor store or distribution
6 center assets remaining after June 1, 2013, must be managed by the
7 department of revenue.

8 (b) The board must obtain the maximum reasonable value for all
9 asset sales made under this section.

10 (c) The board must sell by auction open to the public the right
11 at each state-owned store location of a spirits retail licensee to
12 operate a liquor store upon the premises. Such right must be freely
13 alienable and subject to all state and local zoning and land use
14 requirements applicable to the property. Acquisition of the operating
15 rights must be a precondition to, but does not establish eligibility
16 for, a spirits retail license at the location of a state store and
17 does not confer any privilege conferred by a spirits retail license.
18 Holding the rights does not require the holder of the right to
19 operate a liquor-licensed business or apply for a liquor license.

20 (5) All sales proceeds under this section, net of direct sales
21 expenses and other transition costs authorized by this section, must
22 be deposited into the liquor revolving fund.

23 (6)(a) The board must complete the orderly transition from the
24 current state-controlled system to the private licensee system of
25 spirits retailing and distribution as required under this chapter by
26 June 1, 2012.

27 (b) The transition must include, without limitation, a provision
28 for applying operating and asset sale revenues of the board to just
29 and reasonable measures to avert harm to interests of tribes,
30 military buyers, and nonemployee liquor store operators under then
31 existing contracts for supply by the board of distilled spirits,
32 taking into account present value of issuance of a spirits retail
33 license to the holder of such interest. The provision may extend
34 beyond the time for completion of transition to a spirits licensee
35 system.

36 (c) Purchases by the federal government from any licensee of the
37 board of spirits for resale through commissaries at military
38 installations are exempt from sales tax based on selling price levied
39 by RCW 82.08.150.

1 (7) A former contract liquor store or a holder of former state
2 liquor store operating rights sold at auction and licensed under RCW
3 66.24.630 or 66.24.035 may operate its business in accordance with
4 its license from premises other than the premises licensed at the
5 time of the original auction under this section. This subsection also
6 applies to subsequent purchasers following the original auction
7 conducted under this section.

8 **Sec. 2.** RCW 66.24.630 and 2017 c 96 s 4 are each amended to read
9 as follows:

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

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

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

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

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

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

38 (3)(a) Except as otherwise provided in (c) of this subsection,
39 the board may issue spirits retail licenses only for premises

1 comprising at least ten thousand square feet of fully enclosed retail
2 space within a single structure, including storerooms and other
3 interior auxiliary areas but excluding covered or fenced exterior
4 areas, whether or not attached to the structure, and only to
5 applicants that the board determines will maintain systems for
6 inventory management, employee training, employee supervision, and
7 physical security of the product substantially as effective as those
8 of stores currently operated by the board with respect to preventing
9 sales to or pilferage by underage or inebriated persons.

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

18 (c) The board may not deny a spirits retail license to an
19 otherwise qualified contract liquor store (~~(at its contract~~
20 ~~location))~~) or to the holder of former state liquor store operating
21 rights sold at auction under RCW 66.24.620 on the grounds of
22 location, nature, or size of the premises to be licensed, or on
23 grounds of the presence of another spirits retailer within the trade
24 area of the premises to be licensed. The board may not deny a spirits
25 retail license to applicants that are not contract liquor stores or
26 operating rights holders on the grounds of the size of the premises
27 to be licensed, if such applicant is otherwise qualified and the
28 board determines that:

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

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

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

35 (d) A retailer authorized to sell spirits for consumption on or
36 off the licensed premises may accept delivery of spirits at its
37 licensed premises, at another licensed premises as designated by the
38 retailer, or at one or more warehouse facilities registered with the
39 board, which facilities may also warehouse and distribute nonliquor
40 items, and from which the retailer may deliver to its own licensed

1 premises and, pursuant to sales permitted under subsection (1) of
2 this section:

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

5 (ii) To other registered facilities; or

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

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

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

26 (b) This subsection (4) does not apply to craft distilleries.

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

35 (6) As a condition to receiving and renewing a spirits retail
36 license the licensee must provide training as prescribed by the board
37 by rule for individuals who sell spirits or who manage others who
38 sell spirits regarding compliance with laws and regulations regarding
39 sale of spirits, including without limitation the prohibitions
40 against sale of spirits to individuals who are underage or visibly

1 intoxicated. The training must be provided before the individual
2 first engages in the sale of spirits and must be renewed at least
3 every five years. The licensee must maintain records documenting the
4 nature and frequency of the training provided. An employee training
5 program is presumptively sufficient if it incorporates a "responsible
6 vendor program" adopted by the board.

7 (7) The maximum penalties prescribed by the board in WAC
8 314-29-020 through 314-29-040 relating to fines and suspensions are
9 doubled for violations relating to the sale of spirits by spirits
10 retail licensees.

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

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

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

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

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

30 (i) Provide ongoing training to employees;

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

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

35 (iv) Post specific signs in the business; and

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

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

1 board rules, transition to a combination spirits, beer, and wine
2 license pursuant to RCW 66.24.035.

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

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