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## Commerce & Gaming Committee

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### HB 1118

**Brief Description:** Allowing certain beer and wine license holders to sell small amounts of spirits.

**Sponsors:** Representatives Kirby, Vick, Chapman, Jenkin and Blake.

#### Brief Summary of Bill

- Authorizes the Liquor and Cannabis Board to approve grocery store license holders, who lack a spirits retail license, to sell spirits in original containers that are 375 milliliters or smaller, subject to restrictions.
- Requires spirits sold under this new authorization to be kept behind a counter or in a locked display case.
- Applies a fee equivalent to 17 percent of all spirits sales revenues to sales of spirits by approved grocery stores.
- Removes the limitation that a contract liquor store must be at its contract location to qualify for a spirits retail license.

**Hearing Date:** 1/21/19

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

#### Background:

In privatizing spirits sales in the state in 2011, Initiative 1183 created a spirits retail license, issued by the Liquor and Cannabis Board (LCB), to qualified applicants. A spirits retail license authorizes the retail sale of bottled spirits in their original containers to customers for off-premises consumption, to permit holders, and to retailers for resale for on-premises consumption.

When selling spirits in original containers to other retailers for resale for on-premises consumption at their licensed premises, no single sale may exceed 24 liters, unless the sale is by a licensee that was a contract liquor store manager of a contract liquor store.

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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.*

Generally, only larger stores with at least 10,000 square feet of fully enclosed retail space within a single structure are eligible for a spirits retail license. However, there are two exceptions to this requirement.

One exception enables otherwise qualified contract liquor stores, at their contract location, and holders of former state liquor store operating rights sold at auction, to qualify for a spirits retail license despite being smaller than 10,000 square feet in size.

The second exception enables other applicants who are smaller than 10,000 square feet in size, but otherwise qualified, to obtain a spirits retail license if the following requirements are met:

- There is not another spirits retail licensee in the trade area the applicant proposes to serve.
- The applicant meets, or upon licensure will meet, the operational requirements established under the LCB's rules.
- The applicant has not committed, as a licensee, more than one public safety violation within the three years preceding the application.

Sales of spirits by spirits retail licensees are subject to a license issuance fee equivalent to 17 percent of all spirits sales revenues, paid by each licensee into the Liquor Revolving Fund. However, an exception is provided for sales of spirits by former contract liquor stores and former-state-store auction buyers, when sales are made to other retailers who sell spirits for on-premises consumption. For these sales, the 17 percent fee does not apply.

A grocery store license is available for stores meeting certain qualifications, such as having a minimum of \$3,000 inventory of food products, not including pop, beer, strong beer, or wine. A grocery store licensee may sell beer and wine to customers for off-premises consumption, but a separate license is required to sell spirits.

### **Summary of Bill:**

The Liquor and Cannabis Board (LBC) may approve grocery store licensees, who do not hold a spirits retail license, to sell smaller-sized bottles of spirits in their original containers to customers for off-premises consumption, subject to the following requirements and limitations:

- Spirits sold must be in containers that are not larger than 375 milliliters in volume.
- Spirits must be kept behind the counter where the public is not permitted or in a locked display case requiring employee assistance.
- Spirits sales are subject to a fee equivalent to 17 percent of all spirits sales revenues.

The LCB must establish rules setting forth the timing of payments of the 17 percent fee and reporting of sales dollar volume by the licensee, with payments required quarterly in arrears.

The limitation that a contract liquor store must be at its contract location, to qualify for a spirits retail license, is removed. An obsolete reference to a date related to the LCB's implementation of I-1183 is removed.

**Appropriation:** None.

**Fiscal Note:** Available.

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