

HOUSE BILL REPORT

HB 1359

As Reported by House Committee On:

Commerce & Gaming
Appropriations

Title: An act relating to temporarily reducing liquor license fees.

Brief Description: Reducing liquor license fees temporarily.

Sponsors: Representatives Stonier, MacEwen, Robertson, Shewmake, Ormsby and Macri.

Brief History:

Committee Activity:

Commerce & Gaming: 1/29/21, 2/5/21 [DPS];

Appropriations: 2/19/21, 2/22/21 [DP2S(w/o sub COG)].

Brief Summary of Second Substitute Bill

- Temporarily reduces, by half, liquor license fees for specific liquor retailers and for distilleries and distillery off-site tasting rooms.
- Applies the temporary license fee reduction to identified licenses set to expire or are issued in the time period of May 1, 2021, through December 31, 2023.
- Reverts to current license fee amounts beginning in January 2024.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kloba, Chair; Wicks, Vice Chair; MacEwen, Ranking Minority Member; Robertson, Assistant Ranking Minority Member; Chambers, Kirby, Morgan, Vick and Wylie.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Peter Clodfelter (786-7127).

Background:

Among the liquor licenses issued by the Liquor and Cannabis Board (LCB) are the following licenses:

- spirits, beer, and wine restaurant license, with an annual license fee of \$2,000, \$1,600, or \$1,000 depending on the size of the licensee's dedicated dining area and type of service;
- hotel license, with an annual fee of \$2,000;
- spirits, beer, and wine nightclub license, with an annual fee of \$2,000;
- spirits, beer, and wine theater license, with an annual fee of \$2,000;
- spirits, beer, and wine caterer's license, with an annual fee of \$1,000;
- distiller license, with an annual fee of \$2,000; and
- distiller off-site tasting room license, with an annual fee of \$2,000 per tasting room.

For the original issuance of a liquor license, the LCB sets the expiration date of the license to the last day of the calendar month that is 12 months from the calendar month in which final approval of the license is granted. Upon renewal, the expiration of the license may be prorated as necessary pursuant to the Business Licensing Service Act.

The LCB coordinates with the Department of Revenue (DOR) to process liquor license applications through the DOR's Business Licensing Service (BLS). The BLS is a one-stop system for businesses to acquire and maintain the necessary state licenses to conduct business. The DOR assigns an expiration date for each business license, which is the last day of a calendar month. All renewable licenses endorsed on the business license must expire on that date. License fees must be prorated to accommodate the staggering of expiration dates. License fees received by the LCB are deposited in the Liquor Revolving Fund.

Summary of Substitute Bill:

Legislative findings and intent are included regarding businesses in the hospitality industry. Beginning on May 1, 2021, and through December 31, 2022, the amount of the annual fee for the following liquor licenses is reduced by half:

- spirits, beer, and wine restaurant license;
- hotel license;
- spirits, beer, and wine nightclub license;
- spirits, beer, and wine theater license;
- spirits, beer, and wine caterer's license;
- distiller license; and
- distiller off-site tasting room license.

The temporary license fee reduction expires on December 31, 2022. Licenses set to expire or issued in January 2023 and after are subject to the full fee amount typically owed for the license.

Substitute Bill Compared to Original Bill:

The substitute bill also adds distilleries and off-site distillery tasting rooms to the license types covered by the temporary license fee reduction, so the annual licensing fee for distillers would temporarily be \$1,000 instead of \$2,000, and the annual licensing fee for each distillery off-site tasting room would also temporarily be \$1,000 instead of \$2,000.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 5, 2021.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on May 1, 2021.

Staff Summary of Public Testimony:

(In support) This legislation is brought at the request of local businesses throughout the state. The restaurant and hospitality industry is one of the hardest hit industries by the COVID-19 pandemic. The state should support local businesses to help them remain open, continue operating, and employing their workers. Considering the costs associated with continuing operations, an area where the state can provide relief is through temporary liquor license fee reductions. The hospitality industry supports the bill. The past 11 months have been devastating to the industry, and there are deep concerns with the ability for many businesses to continue future operations. The licensing fee is a significant amount for full-service restaurants, hotels, nightclubs, and other hospitality businesses. In contrast, the license fee for grocery stores who sell beer and wine is \$150 per year, and the annual license fee for restaurants who sell only beer or wine is only \$200 per year. The majority of businesses in the industry have closed or limited their operations. Nightclubs have been closed the entire year. The vast majority of caterers had few work opportunities. Distilleries and their tasting rooms are also impacted by the pandemic and should also receive licensing relief. Distilleries have a relatively higher license fee amount of \$2,000 per still, compared to the lower annual license fees for wineries and breweries. This type of legislation is the distillery industry's top priority this year. Distilleries support the proposed committee amendment to add distilleries to the scope of the bill. Cutting license fee amounts in half will align with the capacity limits imposed on businesses across the state, and will support businesses through their recovery. Recovery is likely to be measured in years, not months. This proposed long-term relief is meaningful and offers hope to businesses.

(Opposed) None.

Persons Testifying: Representative Stonier, prime sponsor; Katie Doyle, Washington Hospitality Association; and Jim Hedrick, Washington Distillers Guild.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Commerce & Gaming. Signed by 32 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Boehnke, Caldier, Chopp, Cody, Dolan, Dye, Fitzgibbon, Frame, Hansen, Harris, Hoff, Jacobsen, Johnson, J., Lekanoff, Pollet, Rude, Ryu, Schmick, Senn, Springer, Steele, Stonier, Sullivan and Tharinger.

Staff: Linda Merelle (786-7092).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Commerce & Gaming:

The Appropriations Committee recommended the extension of the proposed temporary liquor license fee reduction by one additional year, until December 31, 2023.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill contains an emergency clause and takes effect on May 1, 2021.

Staff Summary of Public Testimony:

(In support) The majority of the businesses affected by the COVID-19 pandemic have been closed, significantly altered, or limited in operations. This fee reduction in this bill will assist those businesses.

(Opposed) None.

Persons Testifying: Representative Stonier, prime sponsor; and Katie Doyle, Washington Hospitality Association.

Persons Signed In To Testify But Not Testifying: None.