

HOUSE BILL REPORT

ESHB 1731

As Amended by the Senate

Title: An act relating to complimentary liquor by short-term rental operators.

Brief Description: Concerning complimentary liquor by short-term rental operators.

Sponsors: House Committee on Regulated Substances & Gaming (originally sponsored by Representatives Waters, Stonier, Klicker, Low, Couture, Chambers, Ybarra, Barnard, Schmidt, McClintock, Santos and Hutchins).

Brief History:

Committee Activity:

Regulated Substances & Gaming: 2/9/23, 2/13/23 [DPS].

Floor Activity:

Passed House: 3/3/23, 90-7.

Senate Amended.

Passed Senate: 4/6/23, 46-1.

Brief Summary of Engrossed Substitute Bill

- Establishes an annual permit of \$75 to be issued by the Washington State Liquor and Cannabis Board to a short-term rental operator to provide a complimentary bottle of wine to rental guests who are age 21 or over.
- Directs permit fees collected from the new annual permit to the Statewide Tourism Marketing Account.

HOUSE COMMITTEE ON REGULATED SUBSTANCES & GAMING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Kloba, Co-Chair; Wylie, Co-Chair; Stearns, Vice Chair; Chambers, Ranking Minority Member; Robertson, Assistant Ranking Minority

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.

Member; Cheney, Morgan, Orwall, Reeves, Walsh and Waters.

Staff: Peter Clodfelter (786-7127).

Background:

The Washington State Liquor and Cannabis Board issues a variety of liquor licenses and permits authorizing the service, sale, or use of alcoholic beverages in different circumstances. Examples of available permits include a banquet permit, a permit for an event held at a business without a liquor license, a permit for nonprofit organizations to auction wine, and a permit for bed and breakfast lodging facilities.

The annual permit of \$75 is available to bed and breakfast lodging facilities, authorizing them to donate or serve wine or beer without charge to overnight guests if the wine or beer is for consumption on the premises of the facility. A "bed and breakfast lodging facility" is defined as a facility offering from one to eight lodging units and breakfast to travelers and guests. Fees from liquor licenses and permits are deposited in the Liquor Revolving Fund.

A 2019 Washington law regulating short-term rentals defines a "short-term rental" as a lodging use that is not a hotel, motel, or bed and breakfast, in which a dwelling unit, or portion thereof, is offered or provided to a guest by a short-term rental operator for a fee for fewer than 30 consecutive nights. A short-term rental does not include any of the following:

- a dwelling unit that is occupied by the owner for at least six months during the calendar year and in which fewer than three rooms are rented at any time;
- a dwelling unit, or portion thereof, that is used by the same person for 30 or more consecutive nights; or
- a dwelling unit, or portion thereof, that is operated by an organization or government entity that is registered as a charitable organization with the Washington Secretary of State or is classified by the federal Internal Revenue Service as a public charity or a private foundation, and provides temporary housing to individuals who are being treated for trauma, injury, or disease, or their family members.

Additionally, "operator" is defined under the 2019 law as any person who receives payment for owning or operating a dwelling unit, or portion thereof, as a short-term rental unit. The term "guest" is defined as any person or persons renting a short-term rental unit.

The Statewide Tourism Marketing Account (STMA) was created in 2018 by the Statewide Tourism Marketing Act and is funded by 0.2 percent of sales taxes on retail sales of lodging, car rentals, and restaurants, up to \$3 million per biennium. The STMA is an appropriated account and expenditures from the account may be used only for expenditures of the Department of Commerce that are related to implementation of a statewide tourism marketing program and operation of the Tourism Marketing Authority. A two-to-one nonstate or state fund (other than the State General Fund) match must be provided for all

expenditures from the STMA.

Summary of Engrossed Substitute Bill:

An annual permit issued by the Washington State Liquor and Cannabis Board is established, authorizing a short-term rental operator with the new permit to provide a complimentary bottle of wine to rental guests who are age 21 or over. The annual permit fee is \$75 and funds must be deposited in the Statewide Tourism Marketing Account.

A single permit applies to all rental properties owned or operated by the short-term rental operator and identified in the permit application. One complimentary bottle of wine per booking may be provided, regardless of the total number of rental guests.

The provision of the complimentary bottle of wine may occur only after an operator or staff person of the short-term rental, who is present at the short-term rental property, verifies that each rental guest who will consume the complimentary bottle of wine is age 21 or over by checking a valid form of identification of each rental guest at the time rental guests arrive.

The rental guests must be informed the rental guests are being offered one complimentary bottle of wine and that opening or consuming the bottle of wine in a public place is illegal. The rental guests must not have notified the operator that the rental guests decline the complimentary bottle of wine.

The complimentary bottle of wine may be consumed on the premises of the rental property or removed and consumed off the premises of the rental property.

A permit holder may purchase wine from wine distributors, retailers, and other suppliers of wine authorized to sell wine at retail to consumers for off-premises consumption.

For purposes of the new liquor permit, the terms "short-term rental," "operator," and "guest" have the same meanings as in the 2019 law regulating short-term rentals.

EFFECT OF SENATE AMENDMENT(S):

The permit fees received from the new \$75 annual permit are directed to the Liquor Revolving Fund instead of to the Statewide Tourism Marketing Account.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) People who offer short-term rentals may be unintentionally violating the law if they leave a complimentary bottle of wine for guests. This bill is a way to help short-term rental operators who unknowingly violate the law when they are trying to do a nice thing for guests by providing a service. Rental guests seek to have a good time and will appreciate the service. Washington has some of the world's best wine. This bill helps owners of short-term rentals, guests, and also supports Washington's service and tourism industries.

(Opposed) None.

Persons Testifying: Representative Kevin Waters, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.