

HOUSE BILL REPORT

SSB 6770

As Passed House:

March 4, 2008

Title: An act relating to alcoholic beverage regulation.

Brief Description: Regarding alcoholic beverage regulation.

Sponsors: By Senate Committee on Labor, Commerce, Research & Development (originally sponsored by Senators Kohl-Welles, Holmquist, McAuliffe, Hewitt and Delvin).

Brief History:

Committee Activity:

Commerce & Labor: 2/26/08 [DP].

Floor Activity:

Passed House: 3/4/08, 93-0.

Brief Summary of Substitute Bill

- Expands activities permitted under a bonded wine warehouse license issued by the Liquor Control Board to include handling of wine.
- Allows wineries to sell their wine for on-premises consumption at off-site locations.
- Allows breweries and microbreweries to have up to two on- or off-premises restaurant or tavern licenses.
- Allows microbreweries to contract-produce beer for another microbrewer.
- Allows restaurants to sell any wine for off-premises consumption.
- Modifies provisions related to service of liquor under a hotel license.
- Allows wineries and breweries to donate wine or beer to a 501(c)(6) organization.

HOUSE COMMITTEE ON COMMERCE & LABOR

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.

Majority Report: Do pass. Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Crouse, Green, Moeller and Williams.

Staff: Joan Elgee (786-7106).

Background:

The Liquor Control Board (Board) licenses liquor manufacturers, distributors, retailers, and others. Each license type permits different activities.

A bonded wine warehouse license authorizes the storage of bottled wine off the premises of a winery. Wine may be removed from a bonded wine warehouse only to be exported, shipped to a distributor, or returned to a winery or bonded wine warehouse. In 2006 the Legislature authorized domestic wineries and out-of-state wineries to ship wine to Washington residents age 21 or older.

A winery may have up to two locations separate from its manufacturing site where the winery may serve samples and sell wine of its own production at retail for off-premises consumption.

Breweries and microbreweries that also hold a license for a spirits, beer, and wine restaurant or a beer and/or wine restaurant on the brewery premises may hold a second license for a licensed restaurant off the premises. Microbreweries may hold a license to operate a tavern on its premises.

Breweries may contract-produce beer for a brand owner of malt beverages.

The holder of a spirits, beer, and wine restaurant license may apply for an endorsement to sell wine vinted and bottled in Washington and with a label exclusive to the restaurant for off-premises consumption.

Legislation passed in 2007 created a new hotel license. The license, to take effect on July 1, 2008, allows the sale of spirits, beer, and wine by the glass at dining places in a hotel. A hotel license also allows the sale of spirits, beer, and wine in the manufacturer's sealed container or by the individual drink to guests through room service and to occupants of private residential units.

The giving away of liquor by a manufacturer is generally prohibited. One exception allows a winery or brewery to donate wine and beer, respectively, to a nonprofit charitable corporation or association exempt from taxation under section 501(c)(3) of the Internal Revenue Code. Section 501(c)(6) exempts from taxation qualified trade associations, chambers of commerce, and others.

Summary of Bill:

The activities permitted under a bonded wine warehouse license are expanded to include the handling of bottled wine. Handling includes packing and repackaging services; labeling

services; creating baskets or variety packs; and picking, packing, and shipping wine orders direct to a consumer. Wine may be removed from a bonded wine warehouse to be directly shipped to a consumer. A winery contracting with a bonded wine warehouse for handling services must comply with all applicable state and federal laws and is responsible for financial transactions in direct-to-consumer shipping activities.

Wineries with additional locations for sampling and sale of its own product may sell wine for on-premises, in addition to off-premises, consumption. Persons selling or serving wine at the additional locations must obtain an alcohol server permit. If an additional location is operated by multiple wineries, and an overservice or service to a minor violation occurs that the Board cannot connect to a single licensee, the Board may hold all licensees jointly liable.

Breweries and microbreweries may hold up to two licenses for a beer and wine restaurant, beer and/or wine restaurant, or tavern. The locations may be on or off the premises of the brewery or microbrewery.

A microbrewery may contract-produce beer for another microbrewery.

The holder of a spirits, beer, and wine restaurant license with an endorsement to sell bottled wine is no longer limited to selling Washington wine with an exclusive label, but may sell any bottled wine for off-premises consumption.

The limitation to "dining places" for the sale of spirits, beer, and wine for on-premises consumption at hotels is removed. The occupants of private residential units who may receive service of liquor from a hotel are specified to be occupants of units which are part of the buildings or complex of buildings that include the hotel.

Wineries and breweries may donate wine and beer, respectively, to corporations or associations exempt from taxation under section 501(c)(6) of the Internal Revenue Code.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed, except sections 7 and 9 which reinstate prior law related to brewery and microbrewery restaurant or tavern licenses after a scheduled expiration and take effect June 30, 2008; section 3 which reinstates prior law related to alcohol server permits after a scheduled expiration and takes effect July 1, 2008; and sections 10 and 11, relating to sale of wine by restaurants for off-premises consumption and hotel licenses, which take effect July 1, 2008.

Staff Summary of Public Testimony:

(In support) This bill resulted from stakeholders working with the Liquor Control Board to address a number of noncontroversial changes to the liquor laws. The "omnibus" bill

approach used last year worked well. The bill includes technical fixes to the new hotel license.

(Opposed) None.

Persons Testifying: Michael Transue, Washington Restaurant Association; Jean Leonard, Washington Wine Institute; T.K. Bentler, Washington State Hotel and Lodging Association; and Arlen Harris, Washington Brewers Guild.

Persons Signed In To Testify But Not Testifying: None.