
ENGROSSED SENATE BILL 6220

State of Washington 63rd Legislature 2014 Regular Session

By Senators Braun, Mullet, Sheldon, Ericksen, Hobbs, and Parlette

Read first time 01/17/14. Referred to Committee on Commerce & Labor.

1 AN ACT Relating to spirits retailers when selling for resale;
2 amending RCW 66.24.055 and 66.24.630; and adding a new section to
3 chapter 66.24 RCW.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 66.24 RCW
6 to read as follows:

7 Beginning on the effective date of this section, the license
8 issuance fee under RCW 66.24.630(4) does not apply to any spirits
9 retail licensee with respect to sales of spirits in original containers
10 to retailers licensed to sell spirits for consumption on the premises.

11 **Sec. 2.** RCW 66.24.055 and 2013 2nd sp.s. c 12 s 1 are each amended
12 to read as follows:

13 (1) There is a license for spirits distributors to (a) sell spirits
14 purchased from manufacturers, distillers, or suppliers including,
15 without limitation, licensed Washington distilleries, licensed spirits
16 importers, other Washington spirits distributors, or suppliers of
17 foreign spirits located outside of the United States, to spirits
18 retailers including, without limitation, spirits retail licensees,

1 special occasion license holders, interstate common carrier license
2 holders, restaurant spirits retailer license holders, spirits, beer,
3 and wine private club license holders, hotel license holders, sports
4 entertainment facility license holders, and spirits, beer, and wine
5 nightclub license holders, and to other spirits distributors; and (b)
6 export the same from the state.

7 (2) By January 1, 2012, the board must issue spirits distributor
8 licenses to all applicants who, upon December 8, 2011, have the right
9 to purchase spirits from a spirits manufacturer, spirits distiller, or
10 other spirits supplier for resale in the state, or are agents of such
11 supplier authorized to sell to licensees in the state, unless the board
12 determines that issuance of a license to such applicant is not in the
13 public interest.

14 (3)(a) As limited by (b) and (c) of this subsection and subject to
15 (~~(e)~~) (d) of this subsection, each spirits distributor licensee must
16 pay to the board, for deposit into the liquor revolving fund, a license
17 issuance fee calculated as follows:

18 (i) In each of the first twenty-seven months of licensure, ten
19 percent of the total revenue from all the licensee's sales of spirits
20 made during the month for which the fee is due, respectively; and

21 (ii) In the twenty-eighth month of licensure and each month
22 thereafter, five percent of the total revenue from all the licensee's
23 sales of spirits made during the month for which the fee is due,
24 respectively.

25 (b) The fee required under this subsection (3) is calculated only
26 on sales of items which the licensee was the first spirits distributor
27 or other licensee in the state to have received:

28 (i) In the case of spirits manufactured in the state, from the
29 distiller; or

30 (ii) In the case of spirits manufactured outside the state, from an
31 authorized out-of-state supplier.

32 (c) The fee required under this subsection (3) is only required to
33 be paid by the spirits distributor that is the first in the state to
34 possess the spirits.

35 (d) By March 31, 2013, all persons holding spirits distributor
36 licenses on or before March 31, 2013, must have paid collectively one
37 hundred fifty million dollars or more in spirits distributor license
38 fees. If the collective payment through March 31, 2013, totals less

1 than one hundred fifty million dollars, the board must, according to
2 rules adopted by the board for the purpose, collect by May 31, 2013, as
3 additional spirits distributor license fees the difference between one
4 hundred fifty million dollars and the actual receipts, allocated among
5 persons holding spirits distributor licenses at any time on or before
6 March 31, 2013, ratably according to their spirits sales made during
7 calendar year 2012. Any amount by which such payments exceed one
8 hundred fifty million dollars by March 31, 2013, must be credited to
9 future license issuance fee obligations of spirits distributor
10 licensees according to rules adopted by the board.

11 ~~((d))~~ (e) A retail licensee selling for resale must pay a
12 distributor license fee under the terms and conditions in this section
13 on resales of spirits the licensee has purchased on which no other
14 distributor license fee has been paid. The board must establish rules
15 setting forth the frequency and timing of such payments and reporting
16 of sales dollar volume by the licensee, with payments due quarterly in
17 arrears.

18 ~~((e))~~ (f) No spirits inventory may be subject to calculation of
19 more than a single spirits distributor license issuance fee.

20 (4) In addition to the payment set forth in subsection (3) of this
21 section, each spirits distributor licensee renewing its annual license
22 must pay an annual license renewal fee of one thousand three hundred
23 twenty dollars for each licensed location.

24 (5) There is no minimum facility size or capacity for spirits
25 distributor licenses, and no limit on the number of such licenses
26 issued to qualified applicants. License applicants must provide
27 physical security of the product that is substantially as effective as
28 the physical security of the distribution facilities currently operated
29 by the board with respect to preventing pilferage. License issuances
30 and renewals are subject to RCW 66.24.010 and the regulations
31 promulgated thereunder, including without limitation rights of cities,
32 towns, county legislative authorities, the public, churches, schools,
33 and public institutions to object to or prevent issuance of local
34 liquor licenses. However, existing distributor premises licensed to
35 sell beer and/or wine are deemed to be premises "now licensed" under
36 RCW 66.24.010(9)(a) for the purpose of processing applications for
37 spirits distributor licenses.

1 **Sec. 3.** RCW 66.24.630 and 2012 2nd sp.s. c 6 s 401 are each
2 amended to read as follows:

3 (1) There is a spirits retail license to: Sell spirits in original
4 containers to consumers for consumption off the licensed premises and
5 to permit holders; sell spirits in original containers to retailers
6 licensed to sell spirits for consumption on the premises, for resale at
7 their licensed premises according to the terms of their licenses,
8 although (~~no single sale may exceed twenty four~~) sales by a single
9 spirits retail licensee to a single retailer licensed to sell for
10 consumption on the premises on any business day may not exceed sixty
11 liters, unless the sale is by a licensee that was a contract liquor
12 store manager of a contract liquor store at the location of its spirits
13 retail licensed premises from which it makes such sales; and export
14 spirits. Until July 1, 2016, sales made to retailers licensed to sell
15 spirits for consumption on the premises must be made at the location of
16 the spirits retail licensed premises and may not be delivered to a
17 retailer licensed to sell spirits for consumption on the premises.

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

23 (a) Maintain a schedule by stock-keeping unit of all their
24 purchases of spirits from spirits retail licensees, indicating the
25 identity of the seller and the quantities purchased; and

26 (b) Provide, not more frequently than quarterly, a report for each
27 scheduled item containing the identity of the purchasing on-premise
28 licensee and the quantities of that scheduled item purchased since any
29 preceding report to:

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

32 (ii) A distiller acting as distributor of the scheduled item in the
33 area.

34 (3)(a) Except as otherwise provided in (c) of this subsection, the
35 board may issue spirits retail licenses only for premises comprising at
36 least ten thousand square feet of fully enclosed retail space within a
37 single structure, including storerooms and other interior auxiliary
38 areas but excluding covered or fenced exterior areas, whether or not

1 attached to the structure, and only to applicants that the board
2 determines will maintain systems for inventory management, employee
3 training, employee supervision, and physical security of the product
4 substantially as effective as those of stores currently operated by the
5 board with respect to preventing sales to or pilferage by underage or
6 inebriated persons.

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

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

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

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

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

30 (d) A retailer authorized to sell spirits for consumption on or off
31 the licensed premises may accept delivery of spirits at its licensed
32 premises or at one or more warehouse facilities registered with the
33 board, which facilities may also warehouse and distribute nonliquor
34 items, and from which the retailer may deliver to its own licensed
35 premises and, pursuant to sales permitted under subsection (1) of this
36 section:

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

1 (ii) To other registered facilities; or

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

6 (4)(a) Except as otherwise provided in (b) of this subsection, each
7 spirits retail licensee must pay to the board, for deposit into the
8 liquor revolving fund, a license issuance fee equivalent to seventeen
9 percent of all spirits sales revenues under the license, exclusive of
10 taxes collected by the licensee and of sales of items on which a
11 license fee payable under this section has otherwise been incurred.
12 The board must establish rules setting forth the timing of such
13 payments and reporting of sales dollar volume by the licensee, with
14 payments required quarterly in arrears. The first payment is due
15 October 1, 2012.

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

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

25 (6) As a condition to receiving and renewing a retail spirits
26 license the licensee must provide training as prescribed by the board
27 by rule for individuals who sell spirits or who manage others who sell
28 spirits regarding compliance with laws and regulations regarding sale
29 of spirits, including without limitation the prohibitions against sale
30 of spirits to individuals who are underage or visibly intoxicated. The
31 training must be provided before the individual first engages in the
32 sale of spirits and must be renewed at least every five years. The
33 licensee must maintain records documenting the nature and frequency of
34 the training provided. An employee training program is presumptively
35 sufficient if it incorporates a "responsible vendor program"
36 promulgated by the board.

37 (7) The maximum penalties prescribed by the board in WAC 314-29-020

1 through 314-29-040 relating to fines and suspensions are doubled for
2 violations relating to the sale of spirits by retail spirits licensees.

3 (8)(a) The board must promulgate regulations concerning the
4 adoption and administration of a compliance training program for
5 spirits retail licensees, to be known as a "responsible vendor
6 program," to reduce underage drinking, encourage licensees to adopt
7 specific best practices to prevent sales to minors, and provide
8 licensees with an incentive to give their employees ongoing training in
9 responsible alcohol sales and service.

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

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

16 (d) To participate in the responsible vendor program, licensees
17 must submit an application form to the board. If the application
18 establishes that the licensee meets the qualifications to join the
19 program, the board must send the licensee a membership certificate.

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

- 22 (i) Provide ongoing training to employees;
- 23 (ii) Accept only certain forms of identification for alcohol sales;
- 24 (iii) Adopt policies on alcohol sales and checking identification;
- 25 (iv) Post specific signs in the business; and
- 26 (v) Keep records verifying compliance with the program's
27 requirements.

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