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**ENGROSSED SECOND SUBSTITUTE SENATE BILL 5353**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senator Angel)

AN ACT Relating to marketing opportunities for spirits produced in Washington by craft and general licensed distilleries; amending RCW 66.24.140, 66.24.145, 66.24.175, and 66.20.010; adding a new section to chapter 66.20 RCW; and adding a new section to chapter 66.24 RCW.

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

**Sec.**  RCW 66.24.140 and 2014 c 92 s 4 are each amended to read as follows:

(1) There ((~~shall be~~)) is a license to distillers, including blending, rectifying, and bottling; fee two thousand dollars per annum, unless provided otherwise as follows:

(a) For distillers producing one hundred fifty thousand gallons or less of spirits with at least half of the raw materials used in the production grown in Washington, the license fee must be reduced to one hundred dollars per annum;

(b) The board must license stills used and to be used solely and only by a commercial chemist for laboratory purposes, and not for the manufacture of liquor for sale, at a fee of twenty dollars per annum;

(c) The board must license stills used and to be used solely and only for laboratory purposes in any school, college, or educational institution in the state, without fee; and

(d) The board must license stills that have been duly licensed as fruit and/or wine distilleries by the federal government, used and to be used solely as fruit and/or wine distilleries in the production of fruit brandy and wine spirits, at a fee of two hundred dollars per annum.

(2) Any distillery licensed under this section may:

(a) Sell spirits of its own production for consumption off the premises. A distillery selling spirits under this subsection must comply with the applicable laws and rules relating to retailers;

(b) Contract distilled spirits for, and sell contract distilled spirits to, holders of distillers' or manufacturers' licenses, including licenses issued under RCW 66.24.520, or for export; and

(c) Provide free or for a charge one-half ounce or less samples of spirits of its own production to persons on the premises of the distillery. The maximum total per person per day is two ounces. Every person who participates in any manner in the service of samples must obtain a class 12 alcohol server permit. Spirits samples may be adulterated with nonalcoholic mixers, water, and/or ice.

**Sec.**  RCW 66.24.145 and 2014 c 92 s 1 are each amended to read as follows:

(1)(a) Any craft distillery may sell spirits of its own production for consumption off the premises.

(b) A craft distillery selling spirits under this subsection must comply with the applicable laws and rules relating to retailers.

(2) Any craft distillery may contract distilled spirits for, and sell contract distilled spirits to, holders of distillers' or manufacturers' licenses, including licenses issued under RCW 66.24.520, or for export.

(3) Any craft distillery licensed under this section may provide, free or for a charge, one‑half ounce or less samples of spirits of its own production to persons on the premises of the distillery. The maximum total per person per day is two ounces. Every person who participates in any manner in the service of samples must obtain a class 12 alcohol server permit. Spirits samples may be adulterated with nonalcoholic mixers, water, and/or ice.

(4)(a) A distillery or craft distillery licensee may apply to the board for an endorsement to sell spirits of its own production at retail for off-premises consumption at a qualifying farmers market. The annual fee for this endorsement is seventy-five dollars.

(b) For each month during which a distillery or craft distillery will sell spirits at a qualifying farmers market, the distillery or craft distillery must provide the board or its designee a list of the dates, times, and locations at which bottled spirits may be offered for sale. This list must be received by the board before the spirits may be offered for sale at a qualifying farmers market.

(c) Each approved location in a qualifying farmers market is deemed to be part of the distillery or craft distillery license for the purpose of this title. The approved locations under an endorsement granted under this subsection do not include tasting or sampling privileges. The distillery or craft distillery may not store spirits at a farmers market beyond the hours that the bottled spirits are offered for sale. The distillery or craft distillery may not act as a distributor from a farmers market location.

(d) Before a distillery or craft distillery may sell bottled spirits at a qualifying farmers market, the farmers market must apply to the board for authorization for any distillery or craft distillery with an endorsement approved under this subsection to sell bottled spirits at retail at the farmers market. This application must include, at a minimum: (i) A map of the farmers market showing all booths, stalls, or other designated locations at which an approved distillery or craft distillery may sell bottled spirits; and (ii) the name and contact information for the on-site market managers who may be contacted by the board or its designee to verify the locations at which bottled spirits may be sold. Before authorizing a qualifying farmers market to allow an approved distillery or craft distillery to sell bottled spirits at retail at its farmers market location, the board must notify the persons or entities of such application for authorization pursuant to RCW 66.24.010 (8) and (9). An authorization granted under this subsection (4)(d) may be withdrawn by the board for any violation of this title or any rules adopted under this title.

(e) For the purposes of this subsection (4), "qualifying farmers market" has the same meaning as defined in RCW 66.24.170.

(5) The board must adopt rules to implement the alcohol server permit requirement and may adopt additional rules to implement this section.

((~~(5)~~)) (6) Distilling is an agricultural practice.

**Sec.**  RCW 66.24.175 and 2014 c 105 s 2 are each amended to read as follows:

(1) A qualifying farmers market authorized to allow wineries to sell bottled wine at retail under RCW 66.24.170 ((~~or~~)), microbreweries to sell bottled beer at retail under RCW 66.24.244, ((~~or both,~~)) distilleries to sell bottled spirits at retail under RCW 66.24.140, or craft distilleries to sell bottled spirits at retail under RCW 66.24.145 may apply to the liquor control board for an endorsement to allow sampling of wine ((~~or~~)), beer, or ((~~both~~)) spirits. A winery ((~~or~~)), microbrewery, distillery, or craft distillery offering samples under this section must have an endorsement from the board to sell wine ((~~or~~)), beer, or spirits, as the case may be, of its own production at a qualifying farmers market under RCW 66.24.170 ((~~or~~)), 66.24.244, 66.24.140, or 66.24.145, respectively.

(2) Samples may be offered only under the following conditions:

(a) No more than three wineries or microbreweries combined may offer samples at a qualifying farmers market per day.

(b) Samples must be two ounces or less. A winery or microbrewery may provide a maximum of two ounces of wine or beer to a customer per day.

(c) A winery or microbrewery may advertise that it offers samples only at its designated booth, stall, or other designated location at the farmers market.

(d) Customers must remain at the designated booth, stall, or other designated location while sampling beer or wine.

(e) Winery and microbrewery licensees and employees who are involved in sampling activities under this section must hold a class 12 or class 13 alcohol server permit.

(f) A winery or microbrewery must have food available for customers to consume while sampling beer or wine, or must be adjacent to a vendor offering prepared food.

(3) The board may establish additional requirements to ensure that persons under twenty-one years of age and apparently intoxicated persons may not possess or consume alcohol under the authority granted in this section.

(4) The board may prohibit sampling at a farmers market that is within the boundaries of an alcohol impact area recognized by resolution of the board if the board finds that the sampling activities at the farmers market have an adverse effect on the reduction of chronic public inebriation in the area.

(5) If a winery or microbrewery is found to have committed a public safety violation in conjunction with tasting activities, the board may suspend the licensee's farmers market endorsement and not reissue the endorsement for up to two years from the date of the violation. If mitigating circumstances exist, the board may offer a monetary penalty in lieu of suspension during a settlement conference.

(6) For the purposes of this section, a "qualifying farmers market" has the same meaning as defined in RCW 66.24.170.

**Sec.**  RCW 66.20.010 and 2013 c 59 s 1 are each amended to read as follows:

Upon application in the prescribed form being made to any employee authorized by the board to issue permits, accompanied by payment of the prescribed fee, and upon the employee being satisfied that the applicant should be granted a permit under this title, the employee must issue to the applicant under such regulations and at such fee as may be prescribed by the board a permit of the class applied for, as follows:

(1) Where the application is for a special permit by a physician or dentist, or by any person in charge of an institution regularly conducted as a hospital or sanitorium for the care of persons in ill health, or as a home devoted exclusively to the care of aged people, a special liquor purchase permit, except that the governor may waive the requirement for a special liquor purchase permit under this subsection pursuant to an order issued under RCW 43.06.220(2);

(2) Where the application is for a special permit by a person engaged within the state in mechanical or manufacturing business or in scientific pursuits requiring alcohol for use therein, or by any private individual, a special permit to purchase alcohol for the purpose named in the permit, except that the governor may waive the requirement for a special liquor purchase permit under this subsection pursuant to an order issued under RCW 43.06.220(2);

(3) Where the application is for a special permit to consume liquor at a banquet, at a specified date and place, a special permit to purchase liquor for consumption at such banquet, to such applicants as may be fixed by the board;

(4) Where the application is for a special permit to consume liquor on the premises of a business not licensed under this title, a special permit to purchase liquor for consumption thereon for such periods of time and to such applicants as may be fixed by the board;

(5) Where the application is for a special permit by a manufacturer to import or purchase within the state alcohol, malt, and other materials containing alcohol to be used in the manufacture of liquor, or other products, a special permit;

(6) Where the application is for a special permit by a person operating a drug store to purchase liquor at retail prices only, to be thereafter sold by such person on the prescription of a physician, a special liquor purchase permit, except that the governor may waive the requirement for a special liquor purchase permit under this subsection pursuant to an order issued under RCW 43.06.220(2);

(7) Where the application is for a special permit by an authorized representative of a military installation operated by or for any of the armed forces within the geographical boundaries of the state of Washington, a special permit to purchase liquor for use on such military installation;

(8) Where the application is for a special permit by a vendor that manufactures or sells a product which cannot be effectively presented to potential buyers without serving it with liquor or by a manufacturer, importer, or distributor, or representative thereof, to serve liquor without charge to delegates and guests at a convention of a trade association composed of licensees of the board, when the said liquor is served in a hospitality room or from a booth in a board-approved suppliers' display room at the convention, and when the liquor so served is for consumption in the said hospitality room or display room during the convention, anything in this title to the contrary notwithstanding. Any such spirituous liquor must be purchased from a spirits retailer or distributor, and any such liquor is subject to the taxes imposed by RCW 66.24.290 and 66.24.210;

(9) Where the application is for a special permit by a manufacturer, importer, or distributor, or representative thereof, to donate liquor for a reception, breakfast, luncheon, or dinner for delegates and guests at a convention of a trade association composed of licensees of the board, when the liquor so donated is for consumption at the said reception, breakfast, luncheon, or dinner during the convention, anything in this title to the contrary notwithstanding. Any such spirituous liquor must be purchased from a spirits retailer or distributor, and any such liquor is subject to the taxes imposed by RCW 66.24.290 and 66.24.210;

(10) Where the application is for a special permit by a manufacturer, importer, or distributor, or representative thereof, to donate and/or serve liquor without charge to delegates and guests at an international trade fair, show, or exposition held under the auspices of a federal, state, or local governmental entity or organized and promoted by a nonprofit organization, anything in this title to the contrary notwithstanding. Any such spirituous liquor must be purchased from a liquor spirits retailer or distributor, and any such liquor is subject to the taxes imposed by RCW 66.24.290 and 66.24.210;

(11) Where the application is for an annual special permit by a person operating a bed and breakfast lodging facility to donate or serve wine or beer without charge to overnight guests of the facility if the wine or beer is for consumption on the premises of the facility. "Bed and breakfast lodging facility," as used in this subsection, means a facility offering from one to eight lodging units and breakfast to travelers and guests;

(12) Where the application is for a special permit to allow tasting of alcohol by persons at least eighteen years of age under the following circumstances:

(a) The application is from a community or technical college as defined in RCW 28B.50.030;

(b) The person who is permitted to taste under this subsection is enrolled as a student in a required or elective class that is part of a culinary, wine technology, beer technology, or spirituous technology-related degree program;

(c) The alcohol served to any person in the degree-related programs under (b) of this subsection is tasted but not consumed for the purposes of educational training as part of the class curriculum with the approval of the educational provider;

(d) The service and tasting of alcoholic beverages is supervised by a faculty or staff member of the educational provider who is twenty-one years of age or older. The supervising faculty or staff member shall possess a class 12 or 13 alcohol server permit under the provisions of RCW 66.20.310;

(e) The enrolled student permitted to taste the alcoholic beverages does not purchase the alcoholic beverages; and

(f) The permit fee for the special permit provided for in this subsection (12) ((~~shall~~)) must be waived by the board;

(13) Where the application is for a special permit by a distillery or craft distillery for an event not open to the general public to be held or conducted at a specific place, including at the licensed premise of the applying distillery or craft distillery, upon a specific date for the purpose of tasting and selling spirits of its own production. The distillery or craft distillery must obtain a permit for a fee of ten dollars per event. An application for the permit must be submitted for private banquet permits prior to the event and, once issued, must be posted in a conspicuous place at the premises for which the permit was issued during all times the permit is in use.

NEW SECTION. **Sec.**  A new section is added to chapter 66.20 RCW to read as follows:

(1) The holder of a license to operate a distillery or craft distillery issued under RCW 66.24.140 or 66.24.145 may accept orders for spirits from, and deliver spirits to, customers if all of the following conditions are met for each sale:

(a) Spirits are not used for resale;

(b) Spirits come directly from the distillery's or craft distillery's possession prior to shipment or delivery. All transactions are to be treated as if they were conducted in the retail location of the distillery or craft distillery regardless of how they are received or processed;

(c) Spirits may be ordered in person at a licensed location, by mail, telephone, or internet, or by other similar methods; and

(d) Only a distillery or craft distillery licensee or a licensee's direct employees may accept and process orders and payments. A contractor may not do so on behalf of a distillery or craft distillery licensee, except for transmittal of payment through a third-party service. A third-party service may not solicit customer business on behalf of a distillery or craft distillery licensee.

(2) All orders and payments must be fully processed before spirits transfers ownership or, in the case of delivery, leaves a licensed distillery's or craft distillery's possession.

(3) Payment methods include, but are not limited to: Cash, credit or debit card, check or money order, electronic funds transfer, or an existing prepaid account. An existing prepaid account may not have a negative balance.

(4) To sell spirits via the internet, a new distillery or craft distillery license applicant must request internet-sales privileges in his or her application. An existing distillery or craft distillery licensee must notify the board prior to beginning internet sales. A corporate entity representing multiple licensees may notify the board in a single letter on behalf of affiliated distillery or craft distillery licensees, as long as the liquor license numbers of all licensee locations utilizing internet sales privileges are clearly identified.

(5) Delivery may be made only to a residence or business that has an address recognized by the United States postal service; however, the board may grant an exception to this rule at its discretion. A residence includes a hotel room, a motel room, marina, or other similar lodging that temporarily serves as a residence.

(6) Spirits may be delivered each day of the week between the hours of 6:00 a.m. and 2:00 a.m. Delivery must be fully completed by 2:00 a.m.

(7) Under chapter 66.44 RCW, any person under twenty-one years of age is prohibited from purchasing, delivering, or accepting delivery of liquor.

(a) A delivery person must verify the age of the person accepting delivery before handing over liquor.

(b) If no person twenty-one years of age or older is present to accept a liquor order at the time of delivery, the liquor must be returned.

(8) Intoxication. Delivery of liquor is prohibited to any person who shows signs of intoxication.

(9)(a) Individual units of spirits must be factory sealed in bottles. For the purposes of this subsection, "factory sealed" means that a unit is in one hundred percent resalable condition, with all manufacturer's seals intact.

(b) The outermost surface of a liquor package, delivered by a third party, must have language stating that:

(i) The package contains liquor;

(ii) The recipient must be twenty-one years of age or older; and

(iii) Delivery to intoxicated persons is prohibited.

(10) Required information.

(a) Records and files must be retained at the licensed premises. Each delivery sales record must include the following:

(i) Name of the purchaser;

(ii) Name of the person who accepts delivery;

(iii) Street addresses of the purchaser and the delivery location; and

(iv) Time and date of purchase and delivery.

(b) A private carrier must obtain the signature of the person who receives liquor upon delivery.

(c) A sales record does not have to include the name of the delivery person, but it is encouraged.

(11) Web site requirements. When selling over the internet, all web site pages associated with the sale of liquor must display the distillery or craft distillery licensee's registered trade name.

(12) Accountability. A distillery or craft distillery licensee is accountable for all deliveries of liquor made on its behalf.

(13) Violations. The board may impose administrative enforcement action upon a licensee, or suspend or revoke a licensee's delivery privileges, or any combination thereof, should a licensee violate any condition, requirement, or restriction.

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

(1) Any licensee authorized to sell at retail under this chapter may sell gift certificates and gift cards intended to be exchanged for consumer goods, including alcohol, produced and sold by the licensee. The licensee may also sell the gift certificates and gift cards to or through a third-party retailer for resale to the public. Gift certificates and gift cards may not be redeemed for alcohol by persons under the age of twenty-one.

(2) For the purposes of this section, "gift certificate" and "gift cards" have the same meaning as provided in RCW 19.240.010.

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