
Commerce & Gaming Committee

HB 1343

Brief Description: Concerning spirits retailers when selling for resale.

Sponsors: Representatives Springer, Condotta, Hurst and Walsh.

Brief Summary of Bill

- Establishes that the calculation of the 17 percent license issuance fee imposed on spirits retail licensees does not include revenues derived from the sale of spirits to bars and restaurants.
- Establishes that the license issuance fee applicable to spirits distributor licensees is only required to be paid by the spirits distributor, or other licensee, that is first in the state to possess the spirits.
- Increases from twenty-four to sixty liters the volume of spirits that may be sold on a single business day by a spirits retail licensee to a bar or restaurant.
- Establishes that until July 1, 2017, sales made to retailers licensed to sell spirits for consumption on the premises must be made at the location of the spirits retail licensed premises and may not be delivered to a retailer licensed to sell spirits for consumption on the premises.

Hearing Date: 1/26/15

Staff: Thamas Osborn (786-7129).

Background:

Spirits Retailers Following the Passage of Initiative 1183.

Initiative Measure No. 1183 (I-1183), passed by the voters in November 2011, transferred the responsibility for the distribution and retail sale of spirits (i.e., hard liquor) from the Liquor Control Board (LCB) to the private sector. Following the passage of I-1183, those private businesses licensed by the LCB to sell spirits at the retail level were designated as "spirits retail licensees." Such licensees generally fall into two categories: (1) grocery stores and other large

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retail establishments encompassing at least 10,000 feet of retail space; and (2) smaller liquor stores that are either former state-owned liquor stores or former "contract liquor stores" that sold liquor on behalf of the state pursuant to contracts with the LCB prior to the passage of I-1183.

License Issuance Fees applicable to Spirits Retail Licensees.

Large spirits retail licensees, with retail space exceeding 10,000 square feet, must pay to the LCB a license issuance fee equivalent to 17 percent of all spirit sales revenues earned by the licensee. The calculation of this fee includes revenues derived from sales to bars and restaurants and is in addition to any taxes collected on the sales of the spirits.

Beginning on June 30, 2013, former state liquor stores and former contract liquor stores were granted a limited exemption from the payment of the 17 percent license issuance fee for certain types of spirits sales. Specifically, such stores are exempt from payment of the 17 percent fee with respect to spirits sales to those retailers licensed to sell spirits for consumption on the premises (i.e., bars and restaurants).

Once collected by the LCB, license issuance fees are deposited into the Liquor Revolving Fund. Moneys in this fund are used for the LCB expenses, and "excess funds" are distributed to the State General Fund and to cities, towns, and counties.

Limitations on Sales to Bars and Restaurants by Spirits Retail Licensees.

Sales of spirits to a bar or restaurant by a spirits retail licensee are limited to 24 liters per single sales transaction.

License Issuance Fees applicable to Spirits Distributor Licensees.

Each spirits distributor licensee must pay to the LCB a license issuance fee that is calculated as follows:

- in each of the first twenty-seven months of licensure, 10 percent of the total revenue from all the licensee's sales of spirits made during the month for which the fee is due;
- in the twenty-eighth month of licensure and each month thereafter, 5 percent of the total revenue from all the licensee's sales of spirits made during the month for which the fee is due, respectively.

The calculation of the spirits distributor license issuance fee includes only those sales revenues derived from spirits products that the distributor was the first in the state to have received. In other words, when products are shipped from a distiller directly to a spirits distributor licensee, only the spirits distributor licensee originally receiving the product is responsible for the payment of the license issuance fee. As one moves down the distribution chain, other liquor licensees who subsequently act as distributors for spirits products included in that original shipment are not liable for the payment of any such license issuance fee.

Summary of Bill:

For all spirits retail licensees, the calculation of the 17 percent license issuance fee does not include revenues derived from the sale of spirits to retailers licensed to sell spirits for consumption on the premises (i.e., bars and restaurants).

The license issuance fee applicable to spirits distributor licensees is required to be paid by the spirits distributor or other liquor licensee that is first in the state to possess the spirits.

A spirits retail licensee may sell up to 60 liters of spirits per day to a single bar or restaurant.

Until July 1, 2017, sales made to retailers licensed to sell spirits for consumption on the premises must be made at the location of the spirits retail licensed premises and may not be delivered to a retailer licensed to sell spirits for consumption on the premises.

Appropriation: None.

Fiscal Note: Requested on January 22, 2015.

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