

HOUSE BILL REPORT

HB 2701

As Reported by House Committee On:
Commerce & Gaming

Title: An act relating to the regulation of alcoholic beverages.

Brief Description: Concerning the regulation of alcoholic beverages.

Sponsors: Representatives Wylie, Vick, Springer, Hickel and Fey.

Brief History:

Committee Activity:

Commerce & Gaming: 2/1/16, 2/4/16 [DPS].

Brief Summary of Substitute Bill

- Authorizes a nonprofit organization that obtains a special occasion liquor license to sell wine in original, unopened containers for consumption on the licensed premises.
- Authorizes a licensed domestic winery to sell wines of its own production at retail, and for off-premises consumption, at licensed special occasion events hosted by nonprofit entities, subject to specified conditions.
- Clarifies that spirits donated at specified types of events pursuant to a special permit are subject to the spirits excise tax.
- Authorizes the Liquor and Cannabis Board to issue a special permit for the sale of a private collection of wine or spirits to an individual or business.
- Makes technical clarifications and corrections to various state liquor statutes.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Hurst, Chair; Wylie, Vice Chair; Condotta, Ranking Minority Member; Holy, Assistant Ranking Minority Member; Blake, Kirby, Scott and Vick.

Minority Report: Do not pass. Signed by 1 member: Representative Van De Wege.

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.

Staff: Thamas Osborn (786-7129).

Background:

Special Occasion Liquor License.

A nonprofit organization that obtains a special occasion liquor license from the Liquor and Cannabis Board (LCB) may sell spirits, beer, and wine by the individual glass to be consumed on the premises specified in the license. This license permits the licensee to serve liquor at a specified event, on a specified date, and at a specified place. The fee for this license is \$60 per day, and the organization is limited to sales on no more than 12 days per year.

The sale, service, and consumption of spirits, beer, or wine is limited to a designated area only. If an organization gets prior permission from the LCB, the licensee may sell spirits, beer, or wine in original, unopened containers for off-premises consumption as well.

Taxes on Liquor Donated Pursuant to a Special Permit.

The LCB can issue a variety of special permits that allow vendors, manufacturers, importers, or distributors to provide liquor without a charge to delegates and guests at specified events. These events include trade association conventions for liquor licensees, as well as international trade fairs, shows, or expositions sponsored by a governmental entity or nonprofit organization. The donated liquor must be purchased from a spirits retailer or distributor and is subject to the applicable liter taxes for wines and cider and the barrel taxes on beer. The special permit statute does not specify that taxes are imposed on donated spirits.

Special Permits.

The LCB is authorized to issue a variety of special permits for selling, serving, and handling alcohol at specified events or to persons or entities that do not hold a liquor license. There are no special permits for the sale of private wine or spirits collections.

Summary of Substitute Bill:

Special Occasion Liquor Licenses.

A nonprofit organization that obtains a special occasion liquor license may sell wine in original, unopened containers for consumption on the licensed premises provided prior permission is obtained from the LCB.

A licensed domestic winery is authorized to sell wines of its own production at retail, and for off-premises consumption, at licensed special occasion events hosted by nonprofit entities, subject to the following conditions: (a) delivery to the purchaser must be on a date subsequent to the special event and at a place other than the location of the special event; (b) all wines sales must comply with statutory requirements regarding direct sales of wine to consumers; (c) the wine sold at the special event is not subject to resale; and (d) the domestic winery is entitled to the proceeds from retail sales of its wines purchased for off-premises consumption but may share such proceeds with the nonprofit entity holding the special occasion event license.

Clarification on Donated Liquor.

A cross-reference to the spirits excise tax statute is added to statutory provisions governing the issuance of special permits allowing vendors, manufacturers, importers, and distributors to provide liquor without charge to delegates and guests at specified events. Adding this spirits tax cross-reference clarifies that donated spirits are subject to state tax, as are donated wine and beer.

Special Permit to Sell a Private Collection of Wine or Spirits.

An individual or business may apply to the LCB for a special permit to sell a private collection of wine or spirits to another individual or business. The seller must obtain a permit at least five business days before the sale, for a fee of \$25 dollars per sale. The seller must report the sales information and pay any taxes due to the LCB within 20 days of the sale.

This special permit may be issued to allow the sale of a private collection to an LCB licensee. The permit does not allow an LCB licensee to sell to a private individual or business if such sale is not otherwise authorized under the seller's license. If the liquor is purchased by an LCB licensee, the subsequent resale of such liquor is fully subject to all pertinent excise and sales taxes.

Technical Clarifications and Corrections.

A number of technical clarifications and corrections are made to various state liquor statutes. An obsolete statute dating before Initiative 1183 and authorizing discounted liquor sales by the LCB to specific entities is repealed.

Substitute Bill Compared to Original Bill:

The substitute bill makes the following changes to the original bill:

- deletes provisions requiring a licensed domestic winery to obtain a license endorsement from the LCB before selling wines of its own production at retail at licensed special occasion events hosted by nonprofit entities; and
- authorizes a licensed domestic winery to sell wines of its own production at retail, and for off-premises consumption, at licensed special occasion events hosted by nonprofit entities, subject to the following conditions: (a) delivery to the purchaser must be on a date subsequent to the special event and at a place other than the location of the special event; (b) all wines sales must comply with statutory requirements regarding direct sales of wine to consumers; (c) the wine sold at the special event is not subject to resale; and (d) the domestic winery is entitled to the proceeds from retail sales of its wines purchased for off-premises consumption but may share such proceeds with the nonprofit entity holding the special occasion event license.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 5, 2016.

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

Staff Summary of Public Testimony:

(In support) The bill would benefit charitable organizations, as well as Washington wineries, by allowing them to work together in hosting charitable events. The bill would allow nonprofit entities to sell unopened bottles of wine for on-premises consumption at licensed charitable events. Wineries, in turn, would be able to sell bottled wine to participants at such events for off-premises consumption. Allowing wineries to sell bottled wine for off-premises consumption at such events would enable the wineries to offset the cost of donated wine. This would encourage charitable donations by wineries. If the winery makes a profit on its bottled wine sales, it should be allowed to share such profits with the charitable organization. The bill should have a new section added, authorizing craft distillers to sell bottled spirits for off-premises consumption at charitable events held under special occasion licenses. There is no reason why distillers should not have the same authorization as the wineries. Also, the bill would eliminate an oversight in current law by authorizing the sale of private liquor collections at estate sales. Current law has no provision authorizing such private sales.

(Opposed) Wineries participating in licensed special occasion charitable events should not be allowed to sell wine at retail for off-premises consumption. Such events should involve only one liquor license because having multiple licenses at one event presents enforcement problems if liquor laws are violated. Section 1 of the bill should be removed.

Persons Testifying: (In support) Representative Wylie, prime sponsor; Jim Hedrick, Washington Distillers Guild; Josh McDonald, Washington Wine Institute; and James Paribello, Washington State Liquor and Cannabis Board.

(Opposed) Scott Hazlegrove, Washington Beer and Wine Distributors Association.

Persons Signed In To Testify But Not Testifying: None.