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**HOUSE BILL 2991**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** Representative Tarleton

AN ACT Relating to updating spirits industry regulation, including licensing and fees; amending RCW 66.04.010, 66.24.140, 66.24.145, 66.24.520, 66.24.630, 66.28.040, 66.28.295, 66.20.410, 66.20.010, 66.24.055, 66.24.695, 66.24.640, 19.126.020, and 66.24.660; creating a new section; and providing an effective date.

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

**Sec.**  RCW 66.04.010 and 2015 c 193 s 3 are each amended to read as follows:

((~~In this title, unless the context otherwise requires:~~)) The definitions in this section apply throughout this title unless the context clearly requires otherwise.

(1) "Alcohol" is that substance known as ethyl alcohol, hydrated oxide of ethyl, or spirit of wine, which is commonly produced by the fermentation or distillation of grain, starch, molasses, or sugar, or other substances including all dilutions and mixtures of this substance. The term "alcohol" does not include alcohol in the possession of a manufacturer or distiller of alcohol fuel, as described in RCW 66.12.130, which is intended to be denatured and used as a fuel for use in motor vehicles, farm implements, and machines or implements of husbandry.

(2) "Authorized representative" means a person who:

(a) Is required to have a federal basic permit issued pursuant to the federal alcohol administration act, 27 U.S.C. Sec. 204;

(b) Has its business located in the United States outside of the state of Washington;

(c) Acquires ownership of beer or wine for transportation into and resale in the state of Washington; and which beer or wine is produced by a brewery or winery in the United States outside of the state of Washington; and

(d) Is appointed by the brewery or winery referenced in (c) of this subsection as its authorized representative for marketing and selling its products within the United States in accordance with a written agreement between the authorized representative and such brewery or winery pursuant to this title.

(3) "Beer" means any malt beverage, flavored malt beverage, or malt liquor as these terms are defined in this chapter.

(4) "Beer distributor" means a person who buys beer from a domestic brewery, microbrewery, beer certificate of approval holder, or beer importers, or who acquires foreign produced beer from a source outside of the United States, for the purpose of selling the same pursuant to this title, or who represents such brewer or brewery as agent.

(5) "Beer importer" means a person or business within Washington who purchases beer from a beer certificate of approval holder or who acquires foreign produced beer from a source outside of the United States for the purpose of selling the same pursuant to this title.

(6) "Board" means the liquor ((~~control~~)) and cannabis board, constituted under this title.

(7) "Brewer" or "brewery" means any person engaged in the business of manufacturing beer and malt liquor. Brewer includes a brand owner of malt beverages who holds a brewer's notice with the federal bureau of alcohol, tobacco, and firearms at a location outside the state and whose malt beverage is contract-produced by a licensed in-state brewery, and who may exercise within the state, under a domestic brewery license, only the privileges of storing, selling to licensed beer distributors, and exporting beer from the state.

(8) "Club" means an organization of persons, incorporated or unincorporated, operated solely for fraternal, benevolent, educational, athletic, or social purposes, and not for pecuniary gain.

(9) "Confection" means a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, dairy products, or flavorings, in the form of bars, drops, or pieces.

(10) "Consume" includes the putting of liquor to any use, whether by drinking or otherwise.

(11) "Contract liquor store" means a business that sells liquor on behalf of the board through a contract with a contract liquor store manager.

(12) ((~~"Craft distillery" means a distillery that pays the reduced licensing fee under RCW 66.24.140.~~

~~(13)~~)) "Dentist" means a practitioner of dentistry duly and regularly licensed and engaged in the practice of his or her profession within the state pursuant to chapter 18.32 RCW.

((~~(14)~~)) (13) "Distilled spirits brand owner" means a person or entity licensed under this title whose primary business is the marketing of one or more brands of distilled spirits without being substantially involved in the distillation, redistillation, rectification, blending, flavoring, or bottling of such spirits. The board shall establish rules for what constitutes being "substantially involved."

(14) "Distilled spirits producer" means a person whose primary business is distilling, redistilling, rectifying, blending, bottling, and warehousing of distilled spirits, as allowed in this chapter.

(15) "Distiller" means a person engaged in the business of distilling spirits.

((~~(15)~~)) (16) "Domestic brewery" means a place where beer and malt liquor are manufactured or produced by a brewer within the state.

((~~(16)~~)) (17) "Domestic winery" means a place where wines are manufactured or produced within the state of Washington.

((~~(17)~~)) (18) "Drug store" means a place whose principal business is, the sale of drugs, medicines, and pharmaceutical preparations and maintains a regular prescription department and employs a registered pharmacist during all hours the drug store is open.

((~~(18)~~)) (19) "Druggist" means any person who holds a valid certificate and is a registered pharmacist and is duly and regularly engaged in carrying on the business of pharmaceutical chemistry pursuant to chapter 18.64 RCW.

((~~(19)~~)) (20) "Employee" means any person employed by the board.

((~~(20)~~)) (21) "Flavored malt beverage" means:

(a) A malt beverage containing six percent or less alcohol by volume to which flavoring or other added nonbeverage ingredients are added that contain distilled spirits of not more than forty‑nine percent of the beverage's overall alcohol content; or

(b) A malt beverage containing more than six percent alcohol by volume to which flavoring or other added nonbeverage ingredients are added that contain distilled spirits of not more than one and one‑half percent of the beverage's overall alcohol content.

((~~(21)~~)) (22) "Fund" means 'liquor revolving fund.'

((~~(22)~~)) (23) "Hotel" means buildings, structures, and grounds, having facilities for preparing, cooking, and serving food, that are kept, used, maintained, advertised, or held out to the public to be a place where food is served and sleeping accommodations are offered for pay to transient guests, in which twenty or more rooms are used for the sleeping accommodation of such transient guests. The buildings, structures, and grounds must be located on adjacent property either owned or leased by the same person or persons.

((~~(23)~~)) (24) "Importer" means a person who buys distilled spirits from a distillery outside the state of Washington and imports such spirituous liquor into the state for sale to the board or for export.

((~~(24)~~)) (25) "Imprisonment" means confinement in the county jail.

((~~(25)~~)) (26) "Liquor" includes the four varieties of liquor herein defined (alcohol, spirits, wine, and beer), and all fermented, spirituous, vinous, or malt liquor, or combinations thereof, and mixed liquor, a part of which is fermented, spirituous, vinous or malt liquor, or otherwise intoxicating; and every liquid or solid or semisolid or other substance, patented or not, containing alcohol, spirits, wine, or beer, and all drinks or drinkable liquids and all preparations or mixtures capable of human consumption, and any liquid, semisolid, solid, or other substance, which contains more than one percent of alcohol by weight shall be conclusively deemed to be intoxicating. Liquor does not include confections or food products that contain one percent or less of alcohol by weight.

((~~(26)~~)) (27) "Malt beverage" or "malt liquor" means any beverage such as beer, ale, lager beer, stout, and porter obtained by the alcoholic fermentation of an infusion or decoction of pure hops, or pure extract of hops and pure barley malt or other wholesome grain or cereal in pure water containing not more than eight percent of alcohol by weight, and not less than one-half of one percent of alcohol by volume. For the purposes of this title, any such beverage containing more than eight percent of alcohol by weight shall be referred to as "strong beer."

((~~(27)~~)) (28) "Manufacturer" means a person engaged in the preparation of liquor for sale, in any form whatsoever.

((~~(28)~~)) (29) "Nightclub" means an establishment that provides entertainment and has as its primary source of revenue (a) the sale of alcohol for consumption on the premises, (b) cover charges, or (c) both.

((~~(29)~~)) (30) "Package" means any container or receptacle used for holding liquor.

((~~(30)~~)) (31) "Passenger vessel" means any boat, ship, vessel, barge, or other floating craft of any kind carrying passengers for compensation.

((~~(31)~~)) (32) "Permit" means a permit for the purchase of liquor under this title.

((~~(32)~~)) (33) "Person" means an individual, copartnership, association, or corporation.

((~~(33)~~)) (34) "Physician" means a medical practitioner duly and regularly licensed and engaged in the practice of his or her profession within the state pursuant to chapter 18.71 RCW.

((~~(34)~~)) (35) "Powdered alcohol" means any powder or crystalline substance containing alcohol that is produced for direct use or reconstitution.

((~~(35)~~)) (36) "Prescription" means a memorandum signed by a physician and given by him or her to a patient for the obtaining of liquor pursuant to this title for medicinal purposes.

((~~(36)~~)) (37) "Public place" includes streets and alleys of incorporated cities and towns; state or county or township highways or roads; buildings and grounds used for school purposes; public dance halls and grounds adjacent thereto; those parts of establishments where beer may be sold under this title, soft drink establishments, public buildings, public meeting halls, lobbies, halls and dining rooms of hotels, restaurants, theatres, stores, garages and filling stations ((~~which~~)) that are open to and are generally used by the public and to which the public is permitted to have unrestricted access; railroad trains, stages, and other public conveyances of all kinds and character, and the depots and waiting rooms used in conjunction therewith which are open to unrestricted use and access by the public; publicly owned bathing beaches, parks, and/or playgrounds; and all other places of like or similar nature to which the general public has unrestricted right of access, and which are generally used by the public.

((~~(37)~~)) (38) "Regulations" means regulations made by the board under the powers conferred by this title.

((~~(38)~~)) (39) "Restaurant" means any establishment provided with special space and accommodations where, in consideration of payment, food, without lodgings, is habitually furnished to the public, not including drug stores and soda fountains.

((~~(39)~~)) (40) "Sale" and "sell" include exchange, barter, and traffic; and also include the selling or supplying or distributing, by any means whatsoever, of liquor, or of any liquid known or described as beer or by any name whatever commonly used to describe malt or brewed liquor or of wine, by any person to any person; and also include a sale or selling within the state to a foreign consignee or his or her agent in the state. "Sale" and "sell" ((~~shall~~)) does not include the giving, at no charge, of a reasonable amount of liquor by a person not licensed by the board to a person not licensed by the board, for personal use only. "Sale" and "sell" also does not include a raffle authorized under RCW 9.46.0315((~~: PROVIDED, That~~)). However, the nonprofit organization conducting the raffle has obtained the appropriate permit from the board.

((~~(40)~~)) (41) "Service bar" means a fixed or portable table, counter, cart, or similar work station primarily used to prepare, mix, serve, and sell alcohol that is picked up by employees or customers. Customers may not be seated or allowed to consume food or alcohol at a service bar.

((~~(41)~~)) (42) "Soda fountain" means a place especially equipped with apparatus for the purpose of dispensing soft drinks, whether mixed or otherwise.

((~~(42)~~)) (43) "Spirits" means any beverage which contains alcohol obtained by distillation, except flavored malt beverages, but including wines exceeding twenty-four percent of alcohol by volume.

((~~(43)~~)) (44) "Store" means a state liquor store established under this title.

((~~(44)~~)) (45) "Tavern" means any establishment with special space and accommodation for sale by the glass and for consumption on the premises, of beer, as herein defined.

((~~(45)~~)) (46) "VIP airport lounge" means an establishment within an international airport located beyond security checkpoints that provides a special space to sit, relax, read, work, and enjoy beverages where access is controlled by the VIP airport lounge operator and is generally limited to the following classifications of persons:

(a) Airline passengers of any age whose admission is based on a first-class, executive, or business class ticket;

(b) Airline passengers of any age who are qualified members or allowed guests of certain frequent flyer or other loyalty incentive programs maintained by airlines that have agreements describing the conditions for access to the VIP airport lounge;

(c) Airline passengers of any age who are qualified members or allowed guests of certain enhanced amenities programs maintained by companies that have agreements describing the conditions for access to the VIP airport lounge;

(d) Airport and airline employees, government officials, foreign dignitaries, and other attendees of functions held by the airport authority or airlines related to the promotion of business objectives such as increasing international air traffic and enhancing foreign trade where access to the VIP airport lounge will be controlled by the VIP airport lounge operator; and

(e) Airline passengers of any age or airline employees whose admission is based on a pass issued or permission given by the airline for access to the VIP airport lounge.

((~~(46)~~)) (47) "VIP airport lounge operator" means an airline, port district, or other entity operating a VIP airport lounge that: Is accountable for compliance with the alcohol beverage control act under this title; holds the license under chapter 66.24 RCW issued to the VIP airport lounge; and provides a point of contact for addressing any licensing and enforcement by the board.

((~~(47)~~)) (48)(a) "Wine" means any alcoholic beverage obtained by fermentation of fruits (grapes, berries, apples, et cetera) or other agricultural product containing sugar, to which any saccharine substances may have been added before, during or after fermentation, and containing not more than twenty-four percent of alcohol by volume, including sweet wines fortified with wine spirits, such as port, sherry, muscatel, and angelica, not exceeding twenty-four percent of alcohol by volume and not less than one-half of one percent of alcohol by volume. For purposes of this title, any beverage containing no more than fourteen percent of alcohol by volume when bottled or packaged by the manufacturer shall be referred to as "table wine," and any beverage containing alcohol in an amount more than fourteen percent by volume when bottled or packaged by the manufacturer shall be referred to as "fortified wine." However, "fortified wine" ((~~shall~~)) does not include: (i) Wines that are both sealed or capped by cork closure and aged two years or more; and (ii) wines that contain more than fourteen percent alcohol by volume solely as a result of the natural fermentation process and that have not been produced with the addition of wine spirits, brandy, or alcohol.

(b) This subsection ((~~shall~~)) may not be interpreted to require that any wine be labeled with the designation "table wine" or "fortified wine."

((~~(48)~~)) (49) "Wine distributor" means a person who buys wine from a domestic winery, wine certificate of approval holder, or wine importer, or who acquires foreign produced wine from a source outside of the United States, for the purpose of selling the same not in violation of this title, or who represents such vintner or winery as agent.

((~~(49)~~)) (50) "Wine importer" means a person or business within Washington who purchases wine from a wine certificate of approval holder or who acquires foreign produced wine from a source outside of the United States for the purpose of selling the same pursuant to this title.

((~~(50)~~)) (51) "Winery" means a business conducted by any person for the manufacture of wine for sale, other than a domestic winery.

**Sec.**  RCW 66.24.140 and 2017 c 260 s 1 are each amended to read as follows:

(1)(a) There 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)~~)) for distilled spirits producers in this state that distill, redistill, rectify, age, blend, flavor, bottle, or contract bottle spirits. For distilled spirits producers producing ten thousand proof gallons or less of spirits in a year the license fee is three hundred dollars per annum; for distilled spirits producers producing more than ten thousand proof gallons but not more than one hundred thousand proof gallons in a year the fee is one thousand dollars per annum; and for distilled spirits producers producing more than one hundred thousand proof gallons in a year the fee is five thousand dollars per annum.

(i) A distilled spirits producer must distill or redistill no less than one-half of the stock keeping units of product that are traditionally made through distillation or redistillation of its own production and that it sells in its in-state tasting rooms or to in-state retailers or in-state distributors under its own brand. The requirements and calculations for distillation or redistillation do not apply against finished distilled spirits products that are recognized classes by the federal government as being produced via other traditional methods, such as but not limited to, the creation of liqueurs, cordials, or recognized cocktails.

(ii)(A) A distilled spirits producer may distill, redistill, rectify, blend, flavor, bottle, or contract bottle distilled spirits under contract for another entity entitled to purchase, market, or resell such spirits, or to produce distilled spirits for a manufacturer or distilled spirits brand owner.

(B) A distilled spirits producer may operate a warehouse off the premises of its production facility for the storage and distribution of spirits in accordance with RCW 66.24.640.

(iii) Licensees who held a valid in-state "distillery" or "craft distillery" license on the day before the effective date of this section, as those terms were defined before the effective date of this section, must automatically be granted the licenses and privileges afforded under this act so long as they can demonstrate to the board that they otherwise meet the requirements of this section.

(b) There is a license for distilled spirits brand owners. For a distilled spirits brand owner selling ten thousand proof gallons or less of spirits in a year the license fee is two thousand five hundred dollars per annum; for a distilled spirits brand owner selling more than ten thousand proof gallons in a year the fee is five thousand dollars per annum. A distilled spirits brand owner must also hold a notice with the federal bureau of alcohol and tobacco tax and trade for the legal right to market, possess, and sell such distilled spirits products or brand. The license includes the right to store bulk and finished distilled spirits products in a warehouse covered by the license.

(i) Products produced by a distilled spirits brand owner may be sold only as follows:

(A) The product may be sold to an entity licensed to distribute in this state;

(B) For export out of this state, the product may be sold to a properly licensed entity; and

(C) If the product was produced under contract by a licensed distilled spirits producer in this state, then such product may be stored and sold through any approved distribution channel established by such distilled spirits producer for in-state wholesale or export transactions under this title.

(ii) In addition to the fees required in (b) of this subsection each distilled spirits brand owner shall pay on a monthly basis a bond removal excise fee of twenty-five cents per liter of finished bottles or packages removed from a bond tax determined or transferred in bond.

(c) 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)~~)) (d) 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)~~)) (e) 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~~)) A distilled spirits producer licensed under this section may:

(a) Sell spirits of its own production for consumption off the premises. A ((~~distillery~~)) distilled spirits producer 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 samples subject to the following conditions:

(i) For the purposes of this subsection, the maximum amount of alcohol per person per day is two ounces;

(ii) 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~~)) distilled spirits producer. Spirits samples may be adulterated with nonalcoholic mixers, mixers with alcohol of the distiller's own production, water, and/or ice;

(iii) Sell adulterated samples of spirits of their own production, water, and/or ice to persons on the premises at the distillery; and

(iv) Every person who participates in any manner in the service of these samples must obtain a class 12 alcohol server permit.

(3) Distilling is an agricultural practice.

**Sec.**  RCW 66.24.145 and 2015 c 194 s 2 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~~)) A distilled spirits producer 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~~)) distilled spirits producer will sell spirits at a qualifying farmers market, the ((~~distillery or craft distillery~~)) distilled spirits producer 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~~)) distilled spirits producer 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~~)) distilled spirits producer may not store spirits at a farmers market beyond the hours that the bottled spirits are offered for sale. The ((~~distillery or craft distillery~~)) distilled spirits producer may not act as a distributor from a farmers market location.

(d) Before a ((~~distillery or craft distillery~~)) distilled spirits producer 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~~)) distilled spirits producer 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~~)) distilled spirits producer 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~~)) distilled spirits producer 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)~~)) (1)(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)~~)) (1), "qualifying farmers market" has the same meaning as defined in RCW 66.24.170.

((~~(5)~~)) (2) A distilled spirits producer may apply to the board for a special occasion endorsement. The endorsement fee is one hundred dollars per annum. During an event held by a nonprofit society or organization holding a special occasion license issued under RCW 66.24.380, a distilled spirits producer with the endorsement may take orders, either in writing or electronically, and accept payment for spirits of its own production under the following conditions:

(a) Spirits produced by the distilled spirits producer may be served for on-premises consumption by the special occasion licensee;

(b) The distilled spirits producer must deliver spirits to the consumer on a date after the conclusion of the special occasion event;

(c) The distilled spirits producer must deliver spirits to the consumer at a location different from the location at which the special occasion event is held;

(d) The distilled spirits producer must comply with all requirements in chapter 66.20 RCW for direct sale of spirits to consumers;

(e) The spirits may not be sold for resale; and

(f) The distilled spirits producer is entitled to all proceeds from the sale and delivery of its spirits to a consumer after the conclusion of the special occasion event, but may enter into an agreement to share a portion of the proceeds of these sales with the special occasion licensee licensed under RCW 66.24.380.

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

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

**Sec.**  RCW 66.24.520 and 2010 c 290 s 4 are each amended to read as follows:

There shall be a grower's license to sell wine or spirits made from grapes or other agricultural products owned at the time of vinification or distillation by the licensee in bulk to holders of domestic wineries', distillers', or manufacturers' licenses or for export. The wine or spirits ((~~shall~~)) must be ((~~made~~)) produced or manufactured upon the premises of a domestic winery or ((~~craft distillery~~)) distilled spirits producer licensee and is referred to in this section as grower's wine or grower's spirits. A grower's license authorizes the agricultural product grower to contract for the manufacturing of wine or spirits from the grower's own agricultural product, store wine or spirits in bulk made from agricultural products produced by the holder of this license, and to sell wine or spirits in bulk made from the grower's own agricultural products to a winery or ((~~distillery~~)) distilled spirits producer in the state of Washington or to export in bulk for sale out-of-state. The annual fee for a grower's license shall be seventy-five dollars. For the purpose of chapter 66.28 RCW, a grower licensee ((~~shall be~~)) is deemed a manufacturer.

**Sec.**  RCW 66.24.630 and 2017 c 96 s 4 are each amended to read as follows:

(1) There is a spirits retail license to: Sell spirits in original containers to consumers for consumption off the licensed premises and to permit holders; sell spirits in original containers to retailers licensed to sell spirits for consumption on the premises, for resale at their licensed premises according to the terms of their licenses, although no single sale may exceed twenty-four liters, unless the sale is by a licensee that was a contract liquor store manager of a contract liquor store at the location of its spirits retail licensed premises from which it makes such sales; and export spirits.

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

(a) Maintain a schedule by stock-keeping unit of all their purchases of spirits from spirits retail licensees, including combination spirits, beer, and wine licensees holding a license issued pursuant to RCW 66.24.035, indicating the identity of the seller and the quantities purchased; and

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

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

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

(3)(a) Except as otherwise provided in (c) of this subsection, the board may issue spirits retail licenses only for premises comprising at least ten thousand square feet of fully enclosed retail space within a single structure, including storerooms and other interior auxiliary areas but excluding covered or fenced exterior areas, whether or not attached to the structure, and only to applicants that the board determines will maintain systems for inventory management, employee training, employee supervision, and physical security of the product substantially as effective as those of stores currently operated by the board with respect to preventing sales to or pilferage by underage or inebriated persons.

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

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

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

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

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

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

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

(ii) To other registered facilities; or

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

(e) For purposes of negotiating volume discounts, a group of individual retailers authorized to sell spirits for consumption off the licensed premises may accept delivery of spirits at their individual licensed premises or at any one of the individual licensee's premises, or at a warehouse facility registered with the board.

(4)(a) Except as otherwise provided in RCW 66.24.632, or in (b) of this subsection, each spirits retail licensee must pay to the board, for deposit into the liquor revolving fund, a license issuance fee equivalent to seventeen percent of all spirits sales revenues under the license, exclusive of taxes collected by the licensee and of sales of items on which a license fee payable under this section has otherwise been incurred. The board must establish rules setting forth the timing of such payments, including payments required under (b) of this subsection, and reporting of sales dollar volume by the licensee, with payments required quarterly in arrears. The first payment is due October 1, 2012.

(b) ((~~This subsection (4) does not apply to craft distilleries.~~)) (i) Pursuant to the legislature's plenary power to regulate the import, export, manufacture, sale, distribution, and taxation of alcohol into, inside of, and exported from the state of Washington, under the twenty-first Amendment of the United States Constitution, the legislature finds the following:

(A) The activity of being a distilled spirits producer licensed to produce in this state under this title is primarily that of manufacturing and agricultural in nature;

(B) The practice of producing spirits as a licensed distilled spirits producer in this state involves activities, costs, and responsibilities for such producers not otherwise borne by traditional licensed distributors or retailers; and

(C) The retail sale of spirits on the licensed premises of, or controlled by, a distilled spirits producer, or off the premises of a licensed distilled spirits producer under a license, permit, endorsement, certificate, or other right granted to such licensee under this title or by the board, are merely ancillary to the production of spirits and are not primarily retail in nature.

(ii) For the purposes of (a) of this subsection, distilled spirits producer licensees operating in this state are not considered spirits retail licensees to the extent a licensee sells spirits products of its own production; therefore, this subsection (4) does not apply:

(A) To any aging product put into barrels or other aging vessels before the effective date of this section by a distilled spirits producer who held a "craft distillery" license up to or on the day before the effective date of this section;

(B) To any spirits product already in finished packages or bottles produced by a distilled spirits producer who held a "craft distillery" license in this state up to or on the day before the effective date of this section; and

(C) On or after the effective date of this section, to distilled spirits producers producing spirits with at least seventy percent of the raw materials used in the production grown in the state of Washington.

(iii) On or after the effective date of this section, distilled spirits producers producing spirits with less than seventy percent of the raw materials used in the production grown in the state of Washington are allowed a credit of up to seventy-five percent against the fee in (a) of this subsection.

(iv) A distilled spirits producer must inform the board upon its application for a distilled spirits producer license, or thereafter annually at the time of its license renewal, whether it will qualify for the credit amounts available under (b) of this subsection. Such credit amounts shall be applied for that license year. A licensee may change its declared credit level once per year by notifying the board in writing of the change and paying a one hundred dollar filing fee. A licensee who claims a credit amount greater than the licensee is entitled to in any one license year must refund the amount of credit to which the licensee was not entitled and pay a ten percent penalty on the amount of credit the licensee was not entitled to claim.

(v) For purposes of calculating qualifying raw material percentages for (b) of this subsection, the totals must:

(A) Exclude agave juice, agave syrup, sugar cane, sugar cane juice, molasses from sugar cane, or any other derivative of agave or sugar cane used to ferment distillate base by a distilled spirits producer;

(B) Include either the raw ingredients used to make the base spirits of the finished products or the fruit, spice, or herb flavorings blended or added to make finished products of a distilled spirits producer;

(C) Exclude ingredients used from food or beverage waste or by-products used by a distilled spirits producer; and

(D) Exclude water, creams, and sugar or syrup derivatives used for dilution, or blending, by a distilled spirits producer.

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

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

(7) The maximum penalties prescribed by the board in WAC 314-29-020 through 314-29-040 relating to fines and suspensions are doubled for violations relating to the sale of spirits by spirits retail licensees.

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

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

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

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

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

(i) Provide ongoing training to employees;

(ii) Accept only certain forms of identification for alcohol sales;

(iii) Adopt policies on alcohol sales and checking identification;

(iv) Post specific signs in the business; and

(v) Keep records verifying compliance with the program's requirements.

(f)(i) A spirits retail licensee that also holds a grocery store license under RCW 66.24.360 or a beer and/or wine specialty shop license under RCW 66.24.371 may, upon board approval and pursuant to board rules, transition to a combination spirits, beer, and wine license pursuant to RCW 66.24.035.

(ii) An applicant that would qualify for a spirits retail license under this section and that qualifies for a combination spirits, beer, and wine license pursuant to RCW 66.24.035 may apply for a license pursuant to RCW 66.24.035 instead of applying for a spirits retail license under this section.

**Sec.**  RCW 66.28.040 and 2016 c 235 s 15 are each amended to read as follows:

(1) Except as permitted by the board under RCW 66.20.010, no domestic brewery, microbrewery, distributor, distiller, domestic winery, importer, rectifier, certificate of approval holder, or other manufacturer of liquor may, within the state of Washington, give to any person any liquor((~~; but~~)).

(2) Nothing in this section nor in RCW 66.28.305 prevents a domestic brewery, microbrewery, distributor, domestic winery, distiller, certificate of approval holder, or importer from furnishing samples of beer, wine, or spirituous liquor to authorized licensees for the purpose of negotiating a sale, in accordance with regulations adopted by the liquor and cannabis board, provided that the samples are subject to taxes imposed by RCW 66.24.290 and 66.24.210((~~;~~)).

(3) Nothing in this section prevents a domestic brewery, microbrewery, domestic winery, ((~~distillery~~)) distilled spirits producer, certificate of approval holder, or distributor from furnishing beer, wine, or spirituous liquor for instructional purposes under RCW 66.28.150((~~;~~)).

(4) Nothing in this section prevents a domestic winery, certificate of approval holder, or distributor from furnishing wine without charge, subject to the taxes imposed by RCW 66.24.210, to a not-for-profit group organized and operated solely for the purpose of enology or the study of viticulture which has been in existence for at least six months and that uses wine so furnished solely for such educational purposes or a domestic winery, or an out-of-state certificate of approval holder, from furnishing wine without charge or a domestic brewery, or an out-of-state certificate of approval holder, from furnishing beer without charge, subject to the taxes imposed by RCW 66.24.210 or 66.24.290, or a domestic distiller licensed under RCW 66.24.140 or an accredited representative of a distiller, manufacturer, importer, or distributor of spirituous liquor licensed under RCW 66.24.310, from furnishing spirits without charge, to a nonprofit charitable corporation or association exempt from taxation under 26 U.S.C. Sec. 501(c)(3) or (6) of the internal revenue code of 1986 for use consistent with the purpose or purposes entitling it to such exemption((~~;~~)).

(5) Nothing in this section prevents a domestic brewery or microbrewery from serving beer without charge, on the brewery premises((~~;~~)).

(6) Nothing in this section prevents donations of wine for the purposes of RCW 66.12.180((~~;~~)).

(7) Nothing in this section prevents a domestic winery from serving wine without charge, on the winery premises((~~; and~~)).

(8) Nothing in this section prevents a ((~~craft distillery from serving spirits, on the distillery premises subject to RCW 66.24.145~~)) distilled spirits producer from providing or serving spirits on the distilled spirits producer premises subject to RCW 66.24.140.

**Sec.**  RCW 66.28.295 and 2011 c 66 s 2 are each amended to read as follows:

Nothing in RCW 66.28.290 ((~~shall~~)) prohibits:

(1) A licensed domestic brewery or microbrewery from being licensed as a retailer pursuant to chapter 66.24 RCW for the purpose of selling beer or wine at retail on the brewery premises and at one additional off-site retail only location.

(2) A domestic winery from being licensed as a retailer pursuant to chapter 66.24 RCW for the purpose of selling beer or wine at retail on the winery premises. Such beer and wine so sold at retail shall be subject to the taxes imposed by RCW 66.24.290 and 66.24.210 and to reporting and bonding requirements as prescribed by regulations adopted by the board pursuant to chapter 34.05 RCW, and beer and wine that is not produced by the brewery or winery shall be purchased from a licensed beer or wine distributor.

(3) A microbrewery holding a beer and/or wine restaurant license under RCW 66.24.320 from holding the same privileges and endorsements attached to the beer and/or wine restaurant license.

(4) A licensed ((~~craft distillery from selling spirits of its own production under RCW 66.24.145.~~

~~(5) A licensed distiller~~)) distilled spirits producer from selling spirits of its own production under RCW 66.24.140.

(5) A licensed distilled spirits producer, domestic brewery, microbrewery, domestic winery, or a lessee of a licensed domestic brewer, microbrewery, or domestic winery, from being licensed as a spirits, beer, and wine restaurant pursuant to chapter 66.24 RCW for the purpose of selling liquor at a spirits, beer, and wine restaurant premises on the property on which the primary manufacturing facility of the licensed ((~~distiller~~)) distiller spirits producer, domestic brewer, microbrewery, or domestic winery is located or on contiguous property owned or leased by the licensed ((~~distiller~~)) distiller spirits producer, domestic brewer, microbrewery, or domestic winery as prescribed by rules adopted by the board pursuant to chapter 34.05 RCW.

(6) A microbrewery holding a spirits, beer, and wine restaurant license under RCW 66.24.420 from holding the same privileges and endorsements attached to the spirits, beer, and wine restaurant license.

(7) A brewery or microbrewery holding a spirits, beer, and wine restaurant license or a beer and/or wine license under chapter 66.24 RCW operated on the premises of the brewery or microbrewery from holding a second retail only license at a location separate from the premises of the brewery or microbrewery.

(8) Retail licensees with a caterer's endorsement issued under RCW 66.24.320 or 66.24.420 from operating on a domestic winery premises.

(9) An organization qualifying under RCW 66.24.375 formed for the purpose of constructing and operating a facility to promote Washington wines from holding retail licenses on the facility property or leasing all or any portion of such facility property to a retail licensee on the facility property if the members of the board of directors or officers of the board for the organization include officers, directors, owners, or employees of a licensed domestic winery. Financing for the construction of the facility must include both public and private money.

(10) A bona fide charitable nonprofit society or association registered under Title 26 U.S.C. Sec. 501(c)(3) of the federal internal revenue code, or a local wine industry association registered under Title 26 U.S.C. Sec. 501(c)(6) of the federal internal revenue code as it existed on July 22, 2007, and having an officer, director, owner, or employee of a licensed domestic winery or a wine certificate of approval holder on its board of directors from holding a special occasion license under RCW 66.24.380.

(11) A person licensed pursuant to RCW 66.24.170, 66.24.240, or 66.24.244 from exercising the privileges of distributing and selling at retail such person's own production or from exercising any other right or privilege that attaches to such license.

(12) A person holding a certificate of approval pursuant to RCW 66.24.206 from obtaining an endorsement to act as a distributor of their own product or from shipping their own product directly to consumers as authorized by RCW 66.20.360.

(13) A person holding a wine shipper's permit pursuant to RCW 66.20.375 from shipping their own product directly to consumers.

(14) A person holding a certificate of approval pursuant to RCW 66.24.270(2) from obtaining an endorsement to act as a distributor of their own product.

(15) A domestic winery and a restaurant licensed under RCW 66.24.320 or 66.24.400 from entering an arrangement to waive a corkage fee.

**Sec.**  RCW 66.20.410 and 2015 c 194 s 4 are each amended to read as follows:

(1) The holder of a license to operate ((~~a distillery or craft distillery~~)) as a distilled spirits producer 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~~)) distilled spirits producer'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~~)) distilled spirits producer 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~~)) distilled spirits producer 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~~)) distilled spirits producer 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~~)) distilled spirits producer 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~~)) distilled spirits producer'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~~)) distilled spirits producer license applicant must request internet-sales privileges in his or her application. An existing ((~~distillery or craft distillery~~)) distilled spirits producer 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~~)) distilled spirits producer 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) 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)(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~~)) distilled spirits producer licensee's registered trade name.

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

(13) 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.

**Sec.**  RCW 66.20.010 and 2017 c 250 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 82.08.150, 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 82.08.150, 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 82.08.150, 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, a regional university, or a state university;

(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, sommelier, wine business, enology, viticulture, 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) must be waived by the board;

(13) Where the application is for a special permit by a ((~~distillery or craft distillery~~)) distilled spirits producer for an event not open to the general public to be held or conducted at a specific place, including at the licensed premises of the applying ((~~distillery or craft distillery~~)) distilled spirits producer, upon a specific date for the purpose of tasting and selling spirits of its own production. The ((~~distillery or craft distillery~~)) distilled spirits producer 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, the permit must be posted in a conspicuous place at the premises for which the permit was issued during all times the permit is in use. No licensee may receive more than twelve permits under this subsection (13) each year;

(14) Where the application is for a special permit by a manufacturer of wine for an event not open to the general public to be held or conducted at a specific place upon a specific date for the purpose of tasting and selling wine of its own production. The winery must obtain a permit for a fee of ten dollars per event. An application for the permit must be submitted at least ten days before 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. No more than twelve events per year may be held by a single manufacturer under this subsection;

(15) Where the application is for a special permit by a manufacturer of beer for an event not open to the general public to be held or conducted at a specific place upon a specific date for the purpose of tasting and selling beer of its own production. The brewery or microbrewery must obtain a permit for a fee of ten dollars per event. An application for the permit must be submitted at least ten days before 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. No more than twelve events per year may be held by a single manufacturer under this subsection;

(16) Where the application is for a special permit by an individual or business to sell a private collection of wine or spirits to an individual or business. The seller must obtain a permit at least five business days before the sale, for a fee of twenty-five dollars per sale. The seller must provide an inventory of products sold and the agreed price on a form provided by the board. The seller shall submit the report and taxes due to the board no later than twenty calendar days after the sale. A permit may be issued under this section to allow the sale of a private collection to licensees, but may not be issued to a licensee to sell to a private individual or business which is not otherwise authorized under the license held by the seller. If the liquor is purchased by a licensee, all sales are subject to taxes assessed as on liquor acquired from any other source. The board may adopt rules to implement this section;

(17)(a) A special permit, where the application is for a special permit by a nonprofit organization to sell wine through an auction, not open to the public, to be conducted at a specific place, upon a specific date, and to allow wine tastings at the auction of the wine to be auctioned.

(b) A permit holder under this subsection (17) may at the specified event:

(i) Sell wine by auction for off-premises consumption; and

(ii) Allow tastings of samples of the wine to be auctioned at the event.

(c) An application is required for a permit under this subsection (17). The application must be submitted 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.

(d) Wine from more than one winery may be sold at the auction; however, each winery selling wine at the auction must be listed on the permit application. Only a single application form may be required for each auction, regardless of the number of wineries that are selling wine at the auction. The total fee per event for a permit issued under this subsection (17) is twenty-five dollars multiplied by the number of wineries that are selling wine at the auction.

(e) For the purposes of this subsection (17), "nonprofit organization" means an entity incorporated as a nonprofit organization under Washington state law.

(f) The board may adopt rules to implement this section.

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

(1) There is a license for spirits distributors to (a) sell spirits purchased from manufacturers, ((~~distillers~~)) distilled spirits producers, distilled spirits brand owners, or suppliers including, without limitation, ((~~licensed Washington distilleries,~~)) licensed spirits importers, other Washington spirits distributors, or suppliers of foreign spirits located outside of the United States, to spirits retailers including, without limitation, spirits retail licensees, special occasion license holders, interstate common carrier license holders, restaurant spirits retailer license holders, spirits, beer, and wine private club license holders, hotel license holders, sports entertainment facility license holders, and spirits, beer, and wine nightclub license holders, and to other spirits distributors; and (b) export the same from the state.

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

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

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

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

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

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

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

(c) By March 31, 2013, all persons holding spirits distributor licenses on or before March 31, 2013, must have paid collectively one hundred fifty million dollars or more in spirits distributor license fees. If the collective payment through March 31, 2013, totals less than one hundred fifty million dollars, the board must, according to rules adopted by the board for the purpose, collect by May 31, 2013, as additional spirits distributor license fees the difference between one hundred fifty million dollars and the actual receipts, allocated among persons holding spirits distributor licenses at any time on or before March 31, 2013, ratably according to their spirits sales made during calendar year 2012. Any amount by which such payments exceed one hundred fifty million dollars by March 31, 2013, must be credited to future license issuance fee obligations of spirits distributor licensees according to rules adopted by the board.

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

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

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

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

**Sec.**  RCW 66.24.695 and 2017 c 229 s 1 are each amended to read as follows:

(1) There shall be a bonded and nonbonded spirits warehouse license for spirits warehouses that authorizes the storage and handling of bonded bulk spirits and, to the extent allowed under federal law and under rules adopted by the board, bottled spirits and the storage of tax-paid spirits not in bond. Under this license a licensee may maintain a warehouse for the storage of federally authorized spirits off the premises of a ((~~distillery for distillers qualified under RCW 66.24.140, 66.24.145, or~~)) distilled spirits producer or distilled spirits brand owner licensed under RCW 66.24.140, or manufacturer licensed under RCW 66.24.150, or entities otherwise licensed and permitted in this state, or bulk spirits transferred in bond from out-of-state distilleries and, to the extent allowed by federal law and under rules adopted by the board, bottled spirits, if the storage of the federally authorized spirits transferred into the state is for storage only and not for processing or bottling in the bonded spirits warehouse. A licensee must designate clearly in its license application to the board the sections of the warehouse that are bonded and nonbonded with a physical separation between such spaces. Only spirits in bond may be stored in the bonded sections of the warehouse and only spirits that have been removed from bond tax-paid may be stored in nonbonded areas of the warehouse. The proprietor of the warehouse must maintain a plan for tracking spirits being stored in the warehouse to ensure compliance with relevant bonding and tax obligations.

(2) The board must adopt similar qualifications for a spirits warehouse licensed under this section as required for obtaining a ((~~distillery license as specified in~~)) distilled spirits producer, distilled spirits brand owner, or manufacturer license under RCW 66.24.140((~~, 66.24.145,~~)) and 66.24.150. A licensee must be a sole proprietor, a partnership, a limited liability company, a corporation, a port authority, a city, a county, or any other public entity or subdivision of the state that elects to license a bonded spirits warehouse as an agricultural or economic development activity. One or more ((~~domestic distilleries~~)) distilled spirits producers, distilled spirits brand owners, or manufacturers may operate as a partnership, corporation, business co-op, cotenant, or agricultural co-op for the purpose of obtaining a bonded and nonbonded spirits warehouse license or storing spirits in the facility under a common management and oversight agreement free of charge or for a fee.

(3) Spirits in bond may be removed from a bonded spirits warehouse for the purpose of being:

(a) Exported from the state;

(b) Returned to a ((~~distillery~~)) distilled spirits producer, distilled spirits brand owner, manufacturer, or spirits warehouse licensed under RCW 66.24.140, 66.24.150, or this section; or

(c) Transferred to a ((~~distillery~~)) distilled spirits producer, distilled spirits brand owner, manufacturer, spirits warehouse licensed under this section, or a licensed bottling or packaging facility.

(4) Bottled spirits that are being removed from a spirits warehouse licensed under this section tax-paid may be:

(a) Transferred back to the ((~~distillery~~)) license that produced them;

(b) Shipped to a licensed Washington spirits distributor;

(c) Shipped to a licensed Washington spirits retailer, so long as the licensee holds a license with privileges that include distributing its spirits to retailers in the state or the sale is otherwise expressly authorized by law;

(d) Exported from the state; or

(e) Removed for direct shipping to a consumer pursuant to RCW 66.20.410.

(5) The ownership and operation of a spirits warehouse facility licensed under this section may be by a person or entity other than those described in this section acting in a commercial warehouse management position under contract for such licensed persons or entities on their behalf.

(6) A license applicant must demonstrate the right to have warehoused spirits under a valid federal permit held by a licensee who maintains ownership and title to the spirits while they are in storage in the spirits warehouse licensed under this section. The fee for this license is one hundred dollars per year.

(7) The board must adopt rules requiring a spirits warehouse licensed under this section to be physically secure, zoned for the intended use, and physically separated from any other use.

(8) The operator or licensee operating a spirits warehouse licensed under this section must submit to the board a monthly report of movement of spirits to and from a warehouse licensed under this section in a form prescribed by the board. The board may adopt other necessary procedures by which such warehouses are licensed and regulated.

(9) The board may require a single annual permit valid for a full calendar year issued to each licensee or entity warehousing spirits under this section that allows for unlimited transfers to and from such warehouse within that year. The fee for this permit is one hundred dollars per year.

(10) Handling of bottled spirits that have been removed from bond tax-paid and that reside in the spirits warehouse licensed under this section includes packaging and repackaging services; bottle labeling services; creating baskets or variety packs that may or may not include nonspirits products; and picking, packing, and shipping spirits orders on behalf of a ((~~licensed distillery~~)) licensee direct to consumers in accordance with RCW 66.20.410. A ((~~distillery~~)) licensee contracting with the operator of a spirits warehouse licensed under this section for handling bottled spirits must comply with all applicable state and federal laws and is responsible for financial transactions in direct to consumer shipping activities.

**Sec.**  RCW 66.24.640 and 2017 c 229 s 2 are each amended to read as follows:

(1) Subject to subsection (2) of this section, any distiller licensed under this title may act as a retailer and/or distributor to retailers selling for consumption on or off the licensed premises of spirits of its own production, and any manufacturer, importer, or bottler of spirits holding a certificate of approval may act as a distributor of spirits it is entitled to import into the state under such certificate. The board must by rule provide for issuance of certificates of approval to spirits suppliers. An industry member operating as a distributor and/or retailer under this section must comply with the applicable laws and rules relating to distributors and/or retailers, except that an industry member operating as a distributor under this section may maintain a warehouse off the distillery premises for the distribution of bottled spirits of its own production to spirits retailers within the state and for bottled foreign-made spirits that such distillery is entitled to distribute under this title, if the warehouse is within the United States and has been approved by the board.

(2) Nothing in this section authorizes a licensed distilled spirits brand owner to exercise any privileges not expressly provided in RCW 66.24.140.

**Sec.**  RCW 19.126.020 and 2014 c 92 s 3 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Agreement of distributorship" means any contract, agreement, commercial relationship, license, association, or any other arrangement, for a definite or indefinite period, between a supplier and distributor.

(2) "Authorized representative" has the same meaning as "authorized representative" as defined in RCW 66.04.010.

(3) "Brand" means any word, name, group of letters, symbol, or combination thereof, including the name of the distiller or brewer if the distiller's or brewer's name is also a significant part of the product name, adopted and used by a supplier to identify specific spirits or a specific malt beverage product and to distinguish that product from other spirits or malt beverages produced by that supplier or other suppliers.

(4) "Distributor" means any person, including but not limited to a component of a supplier's distribution system constituted as an independent business, importing or causing to be imported into this state, or purchasing or causing to be purchased within this state, any spirits or malt beverages for sale or resale to retailers licensed under the laws of this state, regardless of whether the business of such person is conducted under the terms of any agreement with a distiller or malt beverage manufacturer.

(5) "Importer" means any distributor importing spirits or beer into this state for sale to retailer accounts or for sale to other distributors designated as "subjobbers" for resale.

(6) "Malt beverage manufacturer" means every brewer, fermenter, processor, bottler, or packager of malt beverages located within or outside this state, or any other person, whether located within or outside this state, who enters into an agreement of distributorship for the resale of malt beverages in this state with any wholesale distributor doing business in the state of Washington.

(7) "Person" means any natural person, corporation, partnership, trust, agency, or other entity, as well as any individual officers, directors, or other persons in active control of the activities of such entity.

(8) "Spirits manufacturer" means every distiller, processor, bottler, or packager of spirits located within or outside this state, or any other person, whether located within or outside this state, who enters into an agreement of distributorship for the resale of spirits in this state with any wholesale distributor doing business in the state of Washington.

(9) "Successor distributor" means any distributor who enters into an agreement, whether oral or written, to distribute a brand of spirits or malt beverages after the supplier with whom such agreement is made or the person from whom that supplier acquired the right to manufacture or distribute the brand has terminated, canceled, or failed to renew an agreement of distributorship, whether oral or written, with another distributor to distribute that same brand of spirits or malt beverages.

(10) "Supplier" means any spirits or malt beverage manufacturer or importer who enters into or is a party to any agreement of distributorship with a wholesale distributor. "Supplier" does not include: (a) Any distiller licensed under RCW 66.24.140 ((~~or 66.24.145~~)) and producing less than one hundred fifty thousand proof gallons of spirits annually or any brewery or microbrewery licensed under RCW 66.24.240 and producing less than two hundred thousand barrels of malt liquor annually; (b) any brewer or manufacturer of malt liquor producing less than two hundred thousand barrels of malt liquor annually and holding a certificate of approval issued under RCW 66.24.270; or (c) any authorized representative of distillers or malt liquor manufacturers who holds an appointment from one or more distillers or malt liquor manufacturers which, in the aggregate, produce less than two hundred thousand barrels of malt liquor or one hundred fifty thousand proof gallons of spirits.

(11) "Terminated distribution rights" means distribution rights with respect to a brand of malt beverages which are lost by a terminated distributor as a result of termination, cancellation, or nonrenewal of an agreement of distributorship for that brand.

(12) "Terminated distributor" means a distributor whose agreement of distributorship with respect to a brand of spirits or malt beverages, whether oral or written, has been terminated, canceled, or not renewed.

**Sec.**  RCW 66.24.660 and 2013 c 89 s 1 are each amended to read as follows:

Retailers may sell liquor as defined in RCW 66.04.010((~~(25)~~)) through self-checkout registers if that register is programmed to halt that transaction during the purchase of liquor until an employee of the retailer intervenes and verifies the age of the purchaser by reviewing established forms of acceptable identification. Once age is successfully verified, the employee can release the transaction for payment. If the purchaser cannot provide acceptable forms of identification to verify age, the employee must refuse the purchase and void the transaction.

NEW SECTION. **Sec.**  If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec.**  If specific funding for the purposes of this act, referencing this act by bill or chapter number, is not provided by June 30, 2018, in the omnibus appropriations act, this act is null and void.

NEW SECTION. **Sec.**  This act takes effect January 1, 2019.

**--- END ---**