

FINAL BILL REPORT

SSB 6392

C 210 L 20
Synopsis as Enacted

Brief Description: Creating a local wine industry association license.

Sponsors: Senate Committee on Labor & Commerce (originally sponsored by Senators Van De Wege, King, Walsh, Warnick, Rolfes, Honeyford and Wilson, C.).

Senate Committee on Labor & Commerce
House Committee on Commerce & Gaming

Background: Domestic Winery License. A domestic winery license issued by the Liquor and Cannabis Board (LCB) authorizes the manufacture of wine in the state. A domestic winery may also act as a distributor and retailer of wine of its own production, and take orders and accept payment for wines of its own production during an event held by a nonprofit holding a special occasion license.

Special Occasion Licenses. A not-for-profit society or organization that obtains a special occasion liquor license may sell spirits, beer, and wine by the individual glass to be consumed on the premises. The special occasion license permits the licensee to serve liquor at a specified event, on a specified date and place. The fee for this license is \$60 per day, and the organization is limited to sales on no more than 12 single-day events per year. Once per year, certain agricultural fairs may count a multiple-day fair as one event.

Under a special occasion license, a "society or organization" means a not-for-profit group organized and operated solely for charitable, religious, social, political, educational, civic, fraternal, athletic, or benevolent purposes; or as a local wine industry association if it is registered under the Internal Revenue Code.

Three-Tier System Prohibition. The legal framework regulating liquor manufacturing, distribution, and sales is a separation between the three-tiers of the liquor industry—manufacturing, distributing, and retailing. Liquor licensees in the manufacturing and distributing tiers of the industry, and their authorized representatives, are defined as "industry members" for certain purposes in liquor statutes.

There are two primary prohibitions that provide the separation between the tiers of the industry. First, generally liquor licensees in the manufacturing and distributing tiers are prohibited from having financial interests in a business within the retail tier of the industry, and vice versa. Second, industry members are prohibited from providing "money or moneys"

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worth," under any type of business practice or arrangement, to a business in the retail tier of the industry. Retailers are similarly prohibited from receiving money or moneys' worth from industry members.

Summary: The local wine industry association license is established. The license may be issued to a nonprofit society or an organization created with the express purpose of educating consumers on, or promoting the economic development of, the Washington wine industry. The annual fee for the local wine industry association license is \$700.

A local wine industry association licensee may purchase or receive donations of wine from domestic winery licensees or certificate of approval holders, and the wine may be used for promotional or marketing purposes. Events or marketing programs conducted by licensees may be held on domestic winery premises, or offsite locations, as long as the domestic winery and the licensee each separately account for the sales of its wine. While participating in an event or marketing program conducted by licensees, domestic wineries are not subject to the money or moneys' worth prohibition under the three-tier system requirements.

The licensees must notify the local LCB enforcement officers at least 45 days prior to any event or marketing program. Licensees are limited to no more than 12 events per year. Licensees are not prohibited from accessing a special occasion license or a special permit. Wine furnished to a nonprofit society under this section is subject to the taxes on sales of wine.

All licensees participating in an event or program are jointly responsible for any violation or enforcement issues, unless it can be shown that the violation was due to one or more licensee's specific conduct or action.

Votes on Final Passage:

Senate	45	0
House	93	4

Effective: June 11, 2020