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**SUBSTITUTE SENATE BILL 5682**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senate Labor & Commerce (originally sponsored by Senators King, Takko, Braun, Mullet, Walsh, and Wilson, L.)

READ FIRST TIME 02/19/19.

1 AN ACT Relating to allowing certain beer and wine license holders  
2 to sell small amounts of spirits; and amending RCW 66.24.630 and  
3 66.24.035.

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

5 **Sec. 1.** RCW 66.24.630 and 2017 c 96 s 4 are each amended to read  
6 as follows:

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

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

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

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

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

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

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

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

33 (c) The board may not deny a spirits retail license to an  
34 otherwise qualified contract liquor store (~~at its contract~~  
35 ~~location~~) or to the holder of former state liquor store operating  
36 rights sold at auction under RCW 66.24.620 on the grounds of  
37 location, nature, or size of the premises to be licensed. The board  
38 may not deny a spirits retail license to applicants that are not  
39 contract liquor stores or operating rights holders on the grounds of

1 the size of the premises to be licensed, if such applicant is  
2 otherwise qualified and the board determines that:

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

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

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

9 (d) The board may issue a waiver to the ten thousand square foot  
10 requirement in (a) of this subsection for grocery store license  
11 holders who do not hold a spirits retail license under this section  
12 allowing the store to sell spirits that are in their original  
13 containers and are no more than three hundred seventy-five  
14 milliliters in volume, if the following conditions are met:

15 (i) The grocery store:

16 (A) Is not part of an entity that has more than three stores; or

17 (B) Is not part of a chain, integrated enterprise, or franchise  
18 associated with a franchisor or network of franchises that employ  
19 more than one hundred employees in the aggregate;

20 (ii) The grocery store sells: Fresh meat, seafood, poultry, and  
21 produce; deli products; and prepared dinners;

22 (iii) Spirits sold under this subsection must be kept behind a  
23 counter where the public is not permitted or kept in a locked display  
24 case so that a customer wanting access must ask an employee of the  
25 license holder for assistance;

26 (iv) The grocery store is located in a city or town with a  
27 population of less than thirty thousand or in an unincorporated area  
28 of a county; and

29 (v) The grocery store is not located within seven and one-half  
30 miles, measured by the shortest driving distance, of the premises of  
31 a former contract liquor store or a holder of former state liquor  
32 store operating rights that was active at that location as of January  
33 1, 2019.

34 (e) Each grocery store license holder making sales of spirits as  
35 authorized by (d) of this subsection must pay to the board, for  
36 deposit into the liquor revolving fund, a fee equivalent to seventeen  
37 percent of all spirits sales revenues, exclusive of taxes collected  
38 by the licensee. The board must establish rules setting forth the  
39 timing of such payments and reporting of sales dollar volume by the  
40 licensee, with payments required quarterly in arrears.

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

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

11        (ii) To other registered facilities; or

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

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

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

31        ~~((The first payment is due October 1, 2012.))~~

32        (b) This subsection (4) does not apply to craft distilleries.

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

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

13 (7) The maximum penalties prescribed by the board in WAC  
14 314-29-020 through 314-29-040 relating to fines and suspensions are  
15 doubled for violations relating to the sale of spirits by spirits  
16 retail licensees.

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

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

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

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

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

36 (i) Provide ongoing training to employees;

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

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

1 (iv) Post specific signs in the business; and

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

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

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

14 **Sec. 2.** RCW 66.24.035 and 2017 c 96 s 1 are each amended to read  
15 as follows:

16 (1) There is a license called a combination spirits, beer, and  
17 wine license, to sell wine and beer, including without limitation  
18 strong beer, at retail in bottles, cans, and original containers, not  
19 to be consumed upon the premises where sold, and to:

20 (a) Sell spirits in original containers to consumers for  
21 consumption off the licensed premises and to permit holders;

22 (b) Sell spirits in original containers to retailers licensed to  
23 sell spirits for consumption on the premises, for resale at their  
24 licensed premises according to the terms of their licenses, although  
25 no single sale may exceed twenty-four liters; and

26 (c) Export spirits.

27 (2) The annual fee for the combination spirits, beer, and wine  
28 license is three hundred sixteen dollars for each store.

29 (3) For the purposes of this title, a combination spirits, beer,  
30 and wine license is a retail license, and a sale by a combination  
31 spirits, beer, and wine licensee is a retail sale only if not for  
32 resale. Nothing in this title authorizes sales by on-premise  
33 licensees to other retail licensees.

34 (4)(a) The board may issue a combination spirits, beer, and wine  
35 license:

36 (i) For premises comprising at least ten thousand square feet of  
37 fully enclosed retail space within a single structure, including  
38 storerooms and other interior auxiliary areas but excluding covered  
39 or fenced exterior areas, whether or not attached to the structure,

1 and only to applicants that the board determines will maintain  
2 appropriate systems for inventory management, employee training,  
3 employee supervision, and physical security of the product;

4 (ii) For premises of a former contract liquor store; or

5 (iii) To a holder of former state liquor store operating rights  
6 sold at auction under RCW 66.24.620.

7 (b) License issuances and renewals are subject to RCW 66.24.010  
8 and the regulations adopted thereunder including, without limitation,  
9 rights of cities, towns, county legislative authorities, the public,  
10 churches, schools, and public institutions to object to or prevent  
11 issuance of local liquor licenses. However, existing grocery and  
12 other retail premises over ten thousand square feet licensed to sell  
13 beer and/or wine are deemed to be premises "now licensed" under RCW  
14 66.24.010(9)(a) for the purpose of processing applications for  
15 combination spirits, beer, and wine licenses.

16 (c) A retailer authorized to sell spirits for consumption on or  
17 off the licensed premises may accept delivery of spirits and deliver  
18 spirits in the same manner as is provided in RCW 66.24.630(3)(~~(d)~~)  
19 (f).

20 (d) For purposes of negotiating volume discounts of spirits, a  
21 group of individual retailers authorized to sell spirits for  
22 consumption off the licensed premises may accept delivery of spirits  
23 as provided in RCW 66.24.630(3)(~~(e)~~) (g).

24 (5) Each combination spirits, beer, and wine licensee must pay to  
25 the board, for deposit into the liquor revolving fund, a license  
26 issuance fee equivalent to the license issuance fee imposed on  
27 licensees selling spirits pursuant to RCW 66.24.630(4)(a).

28 (6) The board may not issue a combined spirits, beer, and wine  
29 license to an applicant if the applicant would qualify for a  
30 restricted license as provided in RCW 66.24.371(4) or 66.24.360(7) if  
31 the applicant had applied for a license under RCW 66.24.371 or  
32 66.24.360 instead of pursuant to this section.

33 (7) As a condition to receiving and renewing a combination  
34 spirits, beer, and wine license the licensee must comply with RCW  
35 66.24.630(6).

36 (8) The maximum penalties prescribed by the board in WAC  
37 314-29-020 through 314-29-040 relating to fines and suspensions are  
38 doubled for violations relating to the sale of spirits by combination  
39 spirits, beer, and wine licensees.

1 (9) (a) A combination spirits, beer, and wine licensee that joins  
2 the responsible vendor program developed by the board pursuant to RCW  
3 66.24.630(8) and maintains all of the program's requirements is not  
4 subject to the doubling of penalties provided in this section for a  
5 single violation in any period of twelve calendar months.

6 (b) To participate in the responsible vendor program, a  
7 combination spirits, beer, and wine licensee must submit an  
8 application form to the board. If the application establishes that  
9 the combination spirits, beer, and wine licensee meets the  
10 qualifications to join the program, the board must send the licensee  
11 a membership certificate.

12 (c) A combination spirits, beer, and wine licensee participating  
13 in the responsible vendor program must meet the requirements in RCW  
14 66.24.630(8)(e) and comply with board rules adopted to implement RCW  
15 66.24.630(8).

16 (10)(a) Any endorsement available to the holder of a license  
17 issued pursuant to RCW 66.24.360 or 66.24.371 is available, upon  
18 board approval and pursuant to board rules, to a combination spirits,  
19 beer, and wine licensee, provided that the combination spirits, beer,  
20 and wine licensee would qualify for a license and the endorsement  
21 under RCW 66.24.360 or 66.24.371, as applicable, had the licensee  
22 applied for a license and endorsement pursuant to RCW 66.24.360,  
23 66.24.363, or 66.24.371, as applicable, instead of the combination  
24 spirits, beer, and wine license pursuant to this section. A  
25 combination spirits, beer, and wine licensee with an endorsement  
26 issued pursuant to this subsection must comply with the requirements  
27 of the endorsement to the same extent as if the endorsement was  
28 issued pursuant to RCW 66.24.360, 66.24.363, or 66.24.371, as  
29 applicable.

30 (b) A combination spirits, beer, and wine licensee may conduct  
31 sampling in accordance with:

32 (i) RCW 66.24.371(2) if the combination spirits, beer, and wine  
33 licensee would qualify for a license under RCW 66.24.371; or

34 (ii) RCW 66.24.363 if the combination spirits, beer, and wine  
35 licensee would qualify for a license under RCW 66.24.360.

36 (11) Licensees holding a combination spirits, beer, and wine  
37 license must maintain either:

38 (a) A minimum three thousand dollar inventory of food products  
39 for human consumption, not including pop, beer, strong beer, wine, or  
40 spirits; or



1           (b) A minimum three thousand dollar wholesale inventory of beer,  
2 strong beer, and/or wine.

3           (12) A combination spirits, beer, and wine licensee holding a  
4 snack bar license under RCW 66.24.350 may receive an endorsement to  
5 allow the sale of confections containing more than one percent but  
6 not more than ten percent alcohol by weight to persons twenty-one  
7 years of age or older.

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

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