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**HOUSE BILL 1344**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** Representatives Chapman, Robertson, and Caldier

Read first time 01/16/23. Referred to Committee on Regulated Substances & Gaming.

1 AN ACT Relating to taxation of low-proof beverages; amending RCW  
2 66.24.630, 66.24.055, and 82.08.150; reenacting and amending RCW  
3 66.04.010; and adding a new section to chapter 66.24 RCW.

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

5 **Sec. 1.** RCW 66.04.010 and 2019 c 61 s 1 are each reenacted and  
6 amended to read as follows:

7 In this title, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

- 1 (10) "Consume" includes the putting of liquor to any use, whether  
2 by drinking or otherwise.
- 3 (11) "Contract liquor store" means a business that sells liquor  
4 on behalf of the board through a contract with a contract liquor  
5 store manager.
- 6 (12) "Craft distillery" means a distillery that pays the reduced  
7 licensing fee under RCW 66.24.140.
- 8 (13) "Dentist" means a practitioner of dentistry duly and  
9 regularly licensed and engaged in the practice of his or her  
10 profession within the state pursuant to chapter 18.32 RCW.
- 11 (14) "Distiller" means a person engaged in the business of  
12 distilling spirits.
- 13 (15) "Domestic brewery" means a place where beer and malt liquor  
14 are manufactured or produced by a brewer within the state.
- 15 (16) "Domestic winery" means a place where wines are manufactured  
16 or produced within the state of Washington.
- 17 (17) "Drug store" means a place whose principal business is, the  
18 sale of drugs, medicines, and pharmaceutical preparations and  
19 maintains a regular prescription department and employs a registered  
20 pharmacist during all hours the drug store is open.
- 21 (18) "Druggist" means any person who holds a valid certificate  
22 and is a registered pharmacist and is duly and regularly engaged in  
23 carrying on the business of pharmaceutical chemistry pursuant to  
24 chapter 18.64 RCW.
- 25 (19) "Employee" means any person employed by the board.
- 26 (20) "Flavored malt beverage" means:
- 27 (a) A malt beverage containing six percent or less alcohol by  
28 volume to which flavoring or other added nonbeverage ingredients are  
29 added that contain distilled spirits of not more than (~~forty-nine~~)  
30 49 percent of the beverage's overall alcohol content; or
- 31 (b) A malt beverage containing more than six percent alcohol by  
32 volume to which flavoring or other added nonbeverage ingredients are  
33 added that contain distilled spirits of not more than (~~one and one~~  
34 ~~half~~) 1.5 percent of the beverage's overall alcohol content.
- 35 (21) "Fund" means 'liquor revolving fund.'
- 36 (22) "Hotel" means buildings, structures, and grounds, having  
37 facilities for preparing, cooking, and serving food, that are kept,  
38 used, maintained, advertised, or held out to the public to be a place  
39 where food is served and sleeping accommodations are offered for pay  
40 to transient guests, in which (~~twenty~~) 20 or more rooms are used

1 for the sleeping accommodation of such transient guests. The  
2 buildings, structures, and grounds must be located on adjacent  
3 property either owned or leased by the same person or persons.

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

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

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

20 (26) "Low-proof beverage" means any beverage that is 16 ounces or  
21 less and that contains more than .5 percent alcohol by volume and  
22 less than seven percent alcohol by volume, but does not include wine,  
23 malt beverages, or malt liquor.

24 (27) "Malt beverage" or "malt liquor" means any beverage such as  
25 beer, ale, lager beer, stout, and porter obtained by the alcoholic  
26 fermentation of an infusion or decoction of pure hops, or pure  
27 extract of hops and pure barley malt or other wholesome grain or  
28 cereal in pure water containing not more than eight percent of  
29 alcohol by weight, and not less than (~~one-half of one~~) .5 percent  
30 of alcohol by volume. For the purposes of this title, any such  
31 beverage containing more than eight percent of alcohol by weight  
32 shall be referred to as "strong beer."

33 (~~(27)~~) (28) "Manufacturer" means a person engaged in the  
34 preparation of liquor for sale, in any form whatsoever.

35 (~~(28)~~) (29) "Nightclub" means an establishment that provides  
36 entertainment and has as its primary source of revenue (a) the sale  
37 of alcohol for consumption on the premises, (b) cover charges, or (c)  
38 both.

39 (~~(29)~~) (30) "Package" means any container or receptacle used  
40 for holding liquor.

1       (~~(30)~~) (31) "Passenger vessel" means any boat, ship, vessel,  
2 barge, or other floating craft of any kind carrying passengers for  
3 compensation.

4       (~~(31)~~) (32) "Permit" means a permit for the purchase of liquor  
5 under this title.

6       (~~(32)~~) (33) "Person" means an individual, copartnership,  
7 association, or corporation.

8       (~~(33)~~) (34) "Physician" means a medical practitioner duly and  
9 regularly licensed and engaged in the practice of his or her  
10 profession within the state pursuant to chapter 18.71 RCW.

11       (~~(34)~~) (35) "Powdered alcohol" means any powder or crystalline  
12 substance containing alcohol that is produced for direct use or  
13 reconstitution.

14       (~~(35)~~) (36) "Prescription" means a memorandum signed by a  
15 physician and given by him or her to a patient for the obtaining of  
16 liquor pursuant to this title for medicinal purposes.

17       (~~(36)~~) (37) "Public place" includes streets and alleys of  
18 incorporated cities and towns; state or county or township highways  
19 or roads; buildings and grounds used for school purposes; public  
20 dance halls and grounds adjacent thereto; those parts of  
21 establishments where beer may be sold under this title, soft drink  
22 establishments, public buildings, public meeting halls, lobbies,  
23 halls and dining rooms of hotels, restaurants, theaters, stores,  
24 garages and filling stations which are open to and are generally used  
25 by the public and to which the public is permitted to have  
26 unrestricted access; railroad trains, stages, and other public  
27 conveyances of all kinds and character, and the depots and waiting  
28 rooms used in conjunction therewith which are open to unrestricted  
29 use and access by the public; publicly owned bathing beaches, parks,  
30 and/or playgrounds; and all other places of like or similar nature to  
31 which the general public has unrestricted right of access, and which  
32 are generally used by the public.

33       (~~(37)~~) (38) "Regulations" means regulations made by the board  
34 under the powers conferred by this title.

35       (~~(38)~~) (39) "Restaurant" means any establishment provided with  
36 special space and accommodations where, in consideration of payment,  
37 food, without lodgings, is habitually furnished to the public, not  
38 including drug stores and soda fountains.

39       (~~(39)~~) (40) "Sale" and "sell" include exchange, barter, and  
40 traffic; and also include the selling or supplying or distributing,

1 by any means whatsoever, of liquor, or of any liquid known or  
2 described as beer or by any name whatever commonly used to describe  
3 malt or brewed liquor or of wine, by any person to any person; and  
4 also include a sale or selling within the state to a foreign  
5 consignee or his or her agent in the state. "Sale" and "sell" shall  
6 not include the giving, at no charge, of a reasonable amount of  
7 liquor by a person not licensed by the board to a person not licensed  
8 by the board, for personal use only. "Sale" and "sell" also does not  
9 include a raffle authorized under RCW 9.46.0315: PROVIDED, That the  
10 nonprofit organization conducting the raffle has obtained the  
11 appropriate permit from the board.

12 ~~((40))~~ (41) "Service bar" means a fixed or portable table,  
13 counter, cart, or similar workstation primarily used to prepare, mix,  
14 serve, and sell alcohol that is picked up by employees or customers.  
15 Customers may not be seated or allowed to consume food or alcohol at  
16 a service bar.

17 ~~((41))~~ (42) "Soda fountain" means a place especially equipped  
18 with apparatus for the purpose of dispensing soft drinks, whether  
19 mixed or otherwise.

20 ~~((42))~~ (43) "Soju" means a traditional Korean distilled  
21 alcoholic beverage, produced using authentic Korean recipes and  
22 production methods, and derived from agricultural products, that  
23 contains not more than ~~((twenty-four))~~ 24 percent of alcohol by  
24 volume.

25 ~~((43))~~ (44) "Spirits" means any beverage which contains alcohol  
26 obtained by distillation, except flavored malt beverages, but  
27 including wines exceeding ~~((twenty-four))~~ 24 percent of alcohol by  
28 volume.

29 ~~((44))~~ (45) "Store" means a state liquor store established  
30 under this title.

31 ~~((45))~~ (46) "Tavern" means any establishment with special space  
32 and accommodation for sale by the glass and for consumption on the  
33 premises, of beer, as herein defined.

34 ~~((46))~~ (47) "VIP airport lounge" means an establishment within  
35 an international airport located beyond security checkpoints that  
36 provides a special space to sit, relax, read, work, and enjoy  
37 beverages where access is controlled by the VIP airport lounge  
38 operator and is generally limited to the following classifications of  
39 persons:

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

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

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

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

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

20 (~~((47))~~) (48) "VIP airport lounge operator" means an airline,  
21 port district, or other entity operating a VIP airport lounge that:  
22 Is accountable for compliance with the alcohol beverage control act  
23 under this title; holds the license under chapter 66.24 RCW issued to  
24 the VIP airport lounge; and provides a point of contact for  
25 addressing any licensing and enforcement by the board.

26 (~~((48))~~) (49) (a) "Wine" means any alcoholic beverage obtained by  
27 fermentation of fruits (grapes, berries, apples, et cetera) or other  
28 agricultural product containing sugar, to which any saccharine  
29 substances may have been added before, during or after fermentation,  
30 and containing not more than (~~(twenty-four)~~) 24 percent of alcohol by  
31 volume, including sweet wines fortified with wine spirits, such as  
32 port, sherry, muscatel, and angelica, not exceeding (~~(twenty-four)~~)  
33 24 percent of alcohol by volume and not less than one-half of one  
34 percent of alcohol by volume. For purposes of this title, any  
35 beverage containing no more than (~~(fourteen)~~) 14 percent of alcohol  
36 by volume when bottled or packaged by the manufacturer shall be  
37 referred to as "table wine," and any beverage containing alcohol in  
38 an amount more than (~~(fourteen)~~) 14 percent by volume when bottled or  
39 packaged by the manufacturer shall be referred to as "fortified  
40 wine." However, "fortified wine" shall not include: (i) Wines that

1 are both sealed or capped by cork closure and aged two years or more;  
2 and (ii) wines that contain more than (~~fourteen~~) 14 percent alcohol  
3 by volume solely as a result of the natural fermentation process and  
4 that have not been produced with the addition of wine spirits,  
5 brandy, or alcohol.

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

9 (~~(49)~~) (50) "Wine distributor" means a person who buys wine  
10 from a domestic winery, wine certificate of approval holder, or wine  
11 importer, or who acquires foreign produced wine from a source outside  
12 of the United States, for the purpose of selling the same not in  
13 violation of this title, or who represents such vintner or winery as  
14 agent.

15 (~~(50)~~) (51) "Wine importer" means a person or business within  
16 Washington who purchases wine from a wine certificate of approval  
17 holder or who acquires foreign produced wine from a source outside of  
18 the United States for the purpose of selling the same pursuant to  
19 this title.

20 (~~(51)~~) (52) "Winery" means a business conducted by any person  
21 for the manufacture of wine for sale, other than a domestic winery.

22 **Sec. 2.** RCW 66.24.630 and 2021 c 48 s 5 are each amended to read  
23 as follows:

24 (1) There is a spirits retail license to: Sell spirits in  
25 original containers to consumers for consumption off the licensed  
26 premises and to permit holders; sell spirits in original containers  
27 to retailers licensed to sell spirits for consumption on the  
28 premises, for resale at their licensed premises according to the  
29 terms of their licenses, although no single sale may exceed (~~twenty-~~  
30 ~~four~~) 24 liters, unless the sale is by a licensee that was a  
31 contract liquor store manager of a contract liquor store at the  
32 location of its spirits retail licensed premises from which it makes  
33 such sales; and export spirits.

34 (2) For the purposes of this title, a spirits retail license is a  
35 retail license, and a sale by a spirits retailer is a retail sale  
36 only if not for resale. Nothing in this title authorizes sales by on-  
37 sale licensees to other retail licensees. The board must establish by  
38 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) of this subsection,  
15 the board may issue spirits retail licenses only for premises  
16 comprising at least (~~ten thousand~~) 10,000 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 location or  
35 to the holder of former state liquor store operating rights sold at  
36 auction under RCW 66.24.620 on the grounds of location, nature, or  
37 size of the premises to be licensed. The board may not deny a spirits  
38 retail license to applicants that are not contract liquor stores or  
39 operating rights holders on the grounds of the size of the premises

1 to be licensed, if such applicant is otherwise qualified and the  
2 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) A retailer authorized to sell spirits for consumption on or  
10 off the licensed premises may accept delivery of spirits at its  
11 licensed premises, at another licensed premises as designated by the  
12 retailer, or at one or more warehouse facilities registered with the  
13 board, which facilities may also warehouse and distribute nonliquor  
14 items, and from which the retailer may deliver to its own licensed  
15 premises and, pursuant to sales permitted under subsection (1) of  
16 this section:

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

19 (ii) To other registered facilities; or

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

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

30 (4) (a) Except as otherwise provided in RCW 66.24.632, section 2,  
31 chapter 48, Laws of 2021, or in (b) or (c) of this subsection, each  
32 spirits retail licensee must pay to the board, for deposit into the  
33 liquor revolving fund, a license issuance fee equivalent to  
34 (~~seventeen~~) 17 percent of all spirits sales revenues under the  
35 license, exclusive of taxes collected by the licensee and of sales of  
36 items on which a license fee payable under this section has otherwise  
37 been incurred. The board must establish rules setting forth the  
38 timing of such payments and reporting of sales dollar volume by the  
39 licensee, with payments required quarterly in arrears. The first  
40 payment is due October 1, 2012.

1 (b) This subsection (4) does not apply to craft distilleries for  
2 sales of spirits of the craft distillery's own production.

3 (c) This subsection (4) does not apply to sales of low-proof  
4 beverages.

5 (5) In addition to the payment required under subsection (4) of  
6 this section, each licensee must pay an annual license renewal fee of  
7 (~~one hundred sixty-six dollars~~) \$166. The board must periodically  
8 review and adjust the renewal fee as may be required to maintain it  
9 as comparable to annual license renewal fees for licenses to sell  
10 beer and wine not for consumption on the licensed premises. If  
11 required by law at the time, any increase of the annual renewal fee  
12 becomes effective only upon ratification by the legislature.

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

25 (7) The maximum penalties prescribed by the board in WAC  
26 314-29-020 through 314-29-040 relating to fines and suspensions are  
27 doubled for violations relating to the sale of spirits by spirits  
28 retail licensees.

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

36 (b) Licensees who join the responsible vendor program under this  
37 section and maintain all of the program's requirements are not  
38 subject to the doubling of penalties provided in this section for a  
39 single violation in any period of (~~twelve~~) 12 calendar months.

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

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

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

9 (i) Provide ongoing training to employees;

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

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

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

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

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

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

27 NEW SECTION. **Sec. 3.** A new section is added to chapter 66.24  
28 RCW to read as follows:

29 There is levied and collected a tax on the sale of low-proof  
30 beverages equal to \$2.50 per gallon as follows:

31 (1) A spirits distributor under the terms of its license shall  
32 pay the tax imposed by this section on sales of low-proof beverages  
33 to spirits retailers.

34 (2) A distillery or craft distillery that self-distributes low-  
35 proof beverages under the terms of its license shall pay the tax  
36 imposed by this section on sales to spirits retailers.

37 (3) A distillery or craft distillery that sells low-proof  
38 beverages directly to consumers under the terms of its license shall  
39 pay the tax imposed by this section on those sales.

1 (4) A holder of a spirits out-of-state certificate with a direct  
2 shipment endorsement that self-distributes under the terms of its  
3 license shall pay the tax imposed by this section on sales to spirits  
4 retailers.

5 **Sec. 4.** RCW 66.24.055 and 2013 2nd sp.s. c 12 s 1 are each  
6 amended to read as follows:

7 (1) There is a license for spirits distributors to (a) sell  
8 spirits purchased from manufacturers, distillers, or suppliers  
9 including, without limitation, licensed Washington distilleries,  
10 licensed spirits importers, other Washington spirits distributors, or  
11 suppliers of foreign spirits located outside of the United States, to  
12 spirits retailers including, without limitation, spirits retail  
13 licensees, special occasion license holders, interstate common  
14 carrier license holders, restaurant spirits retailer license holders,  
15 spirits, beer, and wine private club license holders, hotel license  
16 holders, sports entertainment facility license holders, and spirits,  
17 beer, and wine nightclub license holders, and to other spirits  
18 distributors; and (b) export the same from the state.

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

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

30 (i) In each of the first (~~twenty-seven~~) 27 months of licensure,  
31 (~~ten~~) 10 percent of the total revenue from all the licensee's sales  
32 of spirits made during the month for which the fee is due,  
33 respectively; and

34 (ii) In the (~~twenty-eighth~~) 28th month of licensure and each  
35 month thereafter, five percent of the total revenue from all the  
36 licensee's sales of spirits made during the month for which the fee  
37 is due, respectively.

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

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

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

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

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

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

31 (e) The fees in this subsection (3) do not apply to the sale of  
32 low-proof beverages.

33 (4) In addition to the payment set forth in subsection (3) of  
34 this section, each spirits distributor licensee renewing its annual  
35 license must pay an annual license renewal fee of ~~((one thousand~~  
36 ~~three hundred twenty dollars))~~ \$1,320 for each licensed location.

37 (5) There is no minimum facility size or capacity for spirits  
38 distributor licenses, and no limit on the number of such licenses  
39 issued to qualified applicants. License applicants must provide  
40 physical security of the product that is substantially as effective

1 as the physical security of the distribution facilities currently  
2 operated by the board with respect to preventing pilferage. License  
3 issuances and renewals are subject to RCW 66.24.010 and the  
4 regulations promulgated thereunder, including without limitation  
5 rights of cities, towns, county legislative authorities, the public,  
6 churches, schools, and public institutions to object to or prevent  
7 issuance of local liquor licenses. However, existing distributor  
8 premises licensed to sell beer and/or wine are deemed to be premises  
9 "now licensed" under RCW 66.24.010(9)(a) for the purpose of  
10 processing applications for spirits distributor licenses.

11 **Sec. 5.** RCW 82.08.150 and 2021 c 48 s 6 are each amended to read  
12 as follows:

13 (1) There is levied and collected a tax upon each retail sale of  
14 spirits in the original package at the rate of (~~(fifteen)~~) 15 percent  
15 of the selling price.

16 (2) There is levied and collected a tax upon each sale of spirits  
17 in the original package at the rate of (~~(ten)~~) 10 percent of the  
18 selling price on sales by a spirits distributor licensee or other  
19 licensee acting as a spirits distributor pursuant to Title 66 RCW to  
20 restaurant spirits retailers.

21 (3) There is levied and collected an additional tax upon each  
22 sale of spirits in the original package by a spirits distributor  
23 licensee or other licensee acting as a spirits distributor pursuant  
24 to Title 66 RCW to a restaurant spirits retailer and upon each retail  
25 sale of spirits in the original package by a licensee of the board at  
26 the rate of (~~(one dollar and seventy-two cents)~~) \$1.72 per liter.

27 (4) An additional tax is imposed equal to (~~(fourteen)~~) 14 percent  
28 multiplied by the taxes payable under subsections (1), (2), and (3)  
29 of this section.

30 (5) An additional tax is imposed upon each sale of spirits in the  
31 original package by a spirits distributor licensee or other licensee  
32 acting as a spirits distributor pursuant to Title 66 RCW to a  
33 restaurant spirits retailer and upon each retail sale of spirits in  
34 the original package by a licensee of the board at the rate of seven  
35 cents per liter. All revenues collected during any month from this  
36 additional tax must be deposited in the state general fund by the  
37 (~~(twenty-fifth)~~) 25th day of the following month.

1 (6) (a) An additional tax is imposed upon retail sale of spirits  
2 in the original package at the rate of (~~three and four tenths~~) 3.4  
3 percent of the selling price.

4 (b) An additional tax is imposed upon retail sale of spirits in  
5 the original package to a restaurant spirits retailer at the rate of  
6 (~~two and three tenths~~) 2.3 percent of the selling price.

7 (c) An additional tax is imposed upon each sale of spirits in the  
8 original package by a spirits distributor licensee or other licensee  
9 acting as a spirits distributor pursuant to Title 66 RCW to a  
10 restaurant spirits retailer and upon each retail sale of spirits in  
11 the original package by a licensee of the board at the rate of  
12 (~~forty one~~) 41 cents per liter.

13 (d) All revenues collected during any month from additional taxes  
14 under this subsection must be deposited in the state general fund by  
15 the (~~twenty fifth~~) 25th day of the following month.

16 (7) (a) An additional tax is imposed upon each retail sale of  
17 spirits in the original package at the rate of (~~one dollar and~~  
18 ~~thirty three cents~~) \$1.33 per liter.

19 (b) All revenues collected during any month from additional taxes  
20 under this subsection must be deposited by the (~~twenty fifth~~) 25th  
21 day of the following month into the general fund.

22 (8) The tax imposed in RCW 82.08.020 does not apply to sales of  
23 spirits in the original package.

24 (9) The taxes imposed in this section must be paid by the buyer  
25 to the seller, and each seller must collect from the buyer the full  
26 amount of the tax payable in respect to each taxable sale under this  
27 section. The taxes required by this section to be collected by the  
28 seller must be stated separately from the selling price, and for  
29 purposes of determining the tax due from the buyer to the seller, it  
30 is conclusively presumed that the selling price quoted in any price  
31 list does not include the taxes imposed by this section. Sellers must  
32 report and return all taxes imposed in this section in accordance  
33 with rules adopted by the department.

34 (10) (a) Except as otherwise provided in this subsection, the  
35 terms, "spirits" and "package" have the same meaning as provided in  
36 chapter 66.04 RCW.

37 (b) Until July 1, 2023, for the purposes of the taxes imposed  
38 under this section, the term "spirits" does not include mini-bottles  
39 of spirits sold by a person who possesses a valid endorsement under



1 section 2(6), chapter 48, Laws of 2021 and is licensed as a spirits,  
2 beer, and wine restaurant under RCW 66.24.400.

3 (c) For the purposes of this section, the term "spirits" does not  
4 include low-proof beverages as defined in RCW 66.04.010.

5 (d) For the purposes of this subsection, "mini-bottles of  
6 spirits" means an original factory-sealed container holding not more  
7 than 50 milliliters of spirits.

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