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ENGROSSED SUBSTITUTE HOUSE BILL 1731

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State of Washington

68th Legislature

2023 Regular Session

**By** House Regulated Substances & Gaming (originally sponsored by Representatives Waters, Stonier, Klicker, Low, Couture, Chambers, Ybarra, Barnard, Schmidt, McClintock, Santos, and Hutchins)

READ FIRST TIME 02/15/23.

1 AN ACT Relating to complimentary liquor by short-term rental  
2 operators; and amending RCW 66.20.010, 66.24.200, 43.384.040, and  
3 66.08.170.

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

5 **Sec. 1.** RCW 66.20.010 and 2019 c 112 s 1 are each amended to  
6 read as follows:

7 Upon application in the prescribed form being made to any  
8 employee authorized by the board to issue permits, accompanied by  
9 payment of the prescribed fee, and upon the employee being satisfied  
10 that the applicant should be granted a permit under this title, the  
11 employee must issue to the applicant under such regulations and at  
12 such fee as may be prescribed by the board a permit of the class  
13 applied for, as follows:

14 (1) Where the application is for a special permit by a physician  
15 or dentist, or by any person in charge of an institution regularly  
16 conducted as a hospital or sanatorium for the care of persons in ill  
17 health, or as a home devoted exclusively to the care of aged people,  
18 a special liquor purchase permit, except that the governor may waive  
19 the requirement for a special liquor purchase permit under this  
20 subsection pursuant to an order issued under RCW 43.06.220(2);

1 (2) Where the application is for a special permit by a person  
2 engaged within the state in mechanical or manufacturing business or  
3 in scientific pursuits requiring alcohol for use therein, or by any  
4 private individual, a special permit to purchase alcohol for the  
5 purpose named in the permit, except that the governor may waive the  
6 requirement for a special liquor purchase permit under this  
7 subsection pursuant to an order issued under RCW 43.06.220(2);

8 (3) Where the application is for a special permit to consume  
9 liquor at a banquet, at a specified date and place, a special permit  
10 to purchase liquor for consumption at such banquet, to such  
11 applicants as may be fixed by the board;

12 (4) Where the application is for a special permit to consume  
13 liquor on the premises of a business not licensed under this title, a  
14 special permit to purchase liquor for consumption thereon for such  
15 periods of time and to such applicants as may be fixed by the board;

16 (5) Where the application is for a special permit by a  
17 manufacturer to import or purchase within the state alcohol, malt,  
18 and other materials containing alcohol to be used in the manufacture  
19 of liquor, or other products, a special permit;

20 (6) Where the application is for a special permit by a person  
21 operating a drug store to purchase liquor at retail prices only, to  
22 be thereafter sold by such person on the prescription of a physician,  
23 a special liquor purchase permit, except that the governor may waive  
24 the requirement for a special liquor purchase permit under this  
25 subsection pursuant to an order issued under RCW 43.06.220(2);

26 (7) Where the application is for a special permit by an  
27 authorized representative of a military installation operated by or  
28 for any of the armed forces within the geographical boundaries of the  
29 state of Washington, a special permit to purchase liquor for use on  
30 such military installation;

31 (8) Where the application is for a special permit by a vendor  
32 that manufactures or sells a product which cannot be effectively  
33 presented to potential buyers without serving it with liquor or by a  
34 manufacturer, importer, or distributor, or representative thereof, to  
35 serve liquor without charge to delegates and guests at a convention  
36 of a trade association composed of licensees of the board, when the  
37 said liquor is served in a hospitality room or from a booth in a  
38 board-approved suppliers' display room at the convention, and when  
39 the liquor so served is for consumption in the said hospitality room  
40 or display room during the convention, anything in this title to the

1 contrary notwithstanding. Any such spirituous liquor must be  
2 purchased from a spirits retailer or distributor, and any such liquor  
3 is subject to the taxes imposed by RCW 82.08.150, 66.24.290, and  
4 66.24.210;

5 (9) Where the application is for a special permit by a  
6 manufacturer, importer, or distributor, or representative thereof, to  
7 donate liquor for a reception, breakfast, luncheon, or dinner for  
8 delegates and guests at a convention of a trade association composed  
9 of licensees of the board, when the liquor so donated is for  
10 consumption at the said reception, breakfast, luncheon, or dinner  
11 during the convention, anything in this title to the contrary  
12 notwithstanding. Any such spirituous liquor must be purchased from a  
13 spirits retailer or distributor, and any such liquor is subject to  
14 the taxes imposed by RCW 82.08.150, 66.24.290, and 66.24.210;

15 (10) Where the application is for a special permit by a  
16 manufacturer, importer, or distributor, or representative thereof, to  
17 donate and/or serve liquor without charge to delegates and guests at  
18 an international trade fair, show, or exposition held under the  
19 auspices of a federal, state, or local governmental entity or  
20 organized and promoted by a nonprofit organization, anything in this  
21 title to the contrary notwithstanding. Any such spirituous liquor  
22 must be purchased from a liquor spirits retailer or distributor, and  
23 any such liquor is subject to the taxes imposed by RCW 82.08.150,  
24 66.24.290, and 66.24.210;

25 (11) Where the application is for an annual special permit by a  
26 person operating a bed and breakfast lodging facility to donate or  
27 serve wine or beer without charge to overnight guests of the facility  
28 if the wine or beer is for consumption on the premises of the  
29 facility. "Bed and breakfast lodging facility," as used in this  
30 subsection, means a facility offering from one to eight lodging units  
31 and breakfast to travelers and guests;

32 (12) Where the application is for a special permit to allow  
33 tasting of alcohol by persons at least (~~eighteen~~) 18 years of age  
34 under the following circumstances:

35 (a) The application is from a community or technical college as  
36 defined in RCW 28B.50.030, a regional university, or a state  
37 university;

38 (b) The person who is permitted to taste under this subsection is  
39 enrolled as a student in a required or elective class that is part of  
40 a culinary, sommelier, wine business, enology, viticulture, wine

1 technology, beer technology, or spirituous technology-related degree  
2 program;

3 (c) The alcohol served to any person in the degree-related  
4 programs under (b) of this subsection is tasted but not consumed for  
5 the purposes of educational training as part of the class curriculum  
6 with the approval of the educational provider;

7 (d) The service and tasting of alcoholic beverages is supervised  
8 by a faculty or staff member of the educational provider who is  
9 (~~twenty-one~~) 21 years of age or older. The supervising faculty or  
10 staff member shall possess a class 12 or 13 alcohol server permit  
11 under the provisions of RCW 66.20.310;

12 (e) The enrolled student permitted to taste the alcoholic  
13 beverages does not purchase the alcoholic beverages;

14 (f) The enrolled student permitted to taste the alcoholic  
15 beverages conducts the tasting either: (i) On the premises of the  
16 college or university at which the student is enrolled; or (ii) while  
17 on a field trip to a grape-growing area or production facility so  
18 long as the enrolled student is accompanied by a faculty or staff  
19 member with a class 12 or 13 alcohol server permit who supervises as  
20 provided in (d) of this subsection and all other requirements of this  
21 subsection (12) are met; and

22 (g) The permit fee for the special permit provided for in this  
23 subsection (12) must be waived by the board;

24 (13) Where the application is for a special permit by a  
25 distillery or craft distillery for an event not open to the general  
26 public to be held or conducted at a specific place, including at the  
27 licensed premise of the applying distillery or craft distillery, upon  
28 a specific date for the purpose of tasting and selling spirits of its  
29 own production. The distillery or craft distillery must obtain a  
30 permit for a fee of (~~ten dollars~~) \$10 per event. An application for  
31 the permit must be submitted for private banquet permits prior to the  
32 event and, once issued, must be posted in a conspicuous place at the  
33 premises for which the permit was issued during all times the permit  
34 is in use. No licensee may receive more than (~~twelve~~) 12 permits  
35 under this subsection (13) each year;

36 (14) Where the application is for a special permit by a  
37 manufacturer of wine for an event not open to the general public to  
38 be held or conducted at a specific place upon a specific date for the  
39 purpose of tasting and selling wine of its own production. The winery  
40 must obtain a permit for a fee of (~~ten dollars~~) \$10 per event. An

1 application for the permit must be submitted at least ten days before  
2 the event and once issued, must be posted in a conspicuous place at  
3 the premises for which the permit was issued during all times the  
4 permit is in use. No more than (~~twelve~~) 12 events per year may be  
5 held by a single manufacturer under this subsection;

6 (15) Where the application is for a special permit by a  
7 manufacturer of beer for an event not open to the general public to  
8 be held or conducted at a specific place upon a specific date for the  
9 purpose of tasting and selling beer of its own production. The  
10 brewery or microbrewery must obtain a permit for a fee of (~~ten~~  
11 ~~dollars~~) \$10 per event. An application for the permit must be  
12 submitted at least (~~ten~~) 10 days before the event and, once issued,  
13 must be posted in a conspicuous place at the premises for which the  
14 permit was issued during all times the permit is in use. No more than  
15 (~~twelve~~) 12 events per year may be held by a single manufacturer  
16 under this subsection;

17 (16) Where the application is for a special permit by an  
18 individual or business to sell a private collection of wine or  
19 spirits to an individual or business. The seller must obtain a permit  
20 at least five business days before the sale, for a fee of (~~twenty-~~  
21 ~~five-dollars~~) \$25 per sale. The seller must provide an inventory of  
22 products sold and the agreed price on a form provided by the board.  
23 The seller shall submit the report and taxes due to the board no  
24 later than (~~twenty~~) 20 calendar days after the sale. A permit may  
25 be issued under this section to allow the sale of a private  
26 collection to licensees, but may not be issued to a licensee to sell  
27 to a private individual or business which is not otherwise authorized  
28 under the license held by the seller. If the liquor is purchased by a  
29 licensee, all sales are subject to taxes assessed as on liquor  
30 acquired from any other source. The board may adopt rules to  
31 implement this section;

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

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

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

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

3 (c) An application is required for a permit under this subsection  
4 (17). The application must be submitted prior to the event and once  
5 issued must be posted in a conspicuous place at the premises for  
6 which the permit was issued during all times the permit is in use.

7 (d) Wine from more than one winery may be sold at the auction;  
8 however, each winery selling wine at the auction must be listed on  
9 the permit application. Only a single application form may be  
10 required for each auction, regardless of the number of wineries that  
11 are selling wine at the auction. The total fee per event for a permit  
12 issued under this subsection (17) is (~~twenty-five dollars~~) \$25  
13 multiplied by the number of wineries that are selling wine at the  
14 auction.

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

18 (f) The board may adopt rules to implement this section; and  
19 (18) An annual special permit to allow a short-term rental  
20 operator to provide one complimentary bottle of wine to rental guests  
21 who are age 21 or over. The annual special permit fee is \$75. A  
22 single permit applies to all rental properties owned or operated by  
23 the short-term rental operator and identified in the permit  
24 application. One complimentary bottle of wine per booking may be  
25 provided, regardless of the total number of rental guests. The  
26 provision of the complimentary bottle of wine may occur only after an  
27 operator or staff person of the short-term rental, who is present at  
28 the short-term rental property, verifies that each rental guest who  
29 will consume the complimentary bottle of wine is age 21 or over by  
30 checking a valid form of identification of each such rental guest at  
31 the time rental guests arrive. The rental guests must be informed the  
32 rental guests are being offered one complimentary bottle of wine and  
33 that opening or consuming the bottle of wine in a public place is  
34 illegal pursuant to RCW 66.44.100. The rental guests must not have  
35 notified the operator that the rental guests decline the  
36 complimentary bottle of wine. The complimentary bottle of wine may be  
37 consumed on the premises of the rental property or removed and  
38 consumed off the premises of the rental property. A permit holder may  
39 purchase wine from wine distributors in accordance with RCW  
40 66.24.200, and from retailers and other suppliers of wine authorized

1 under this title to sell wine at retail to consumers for off-premises  
2 consumption. For purposes of this subsection, the terms "short-term  
3 rental," "operator," and "guest" have the same meanings as in RCW  
4 64.37.010. Moneys received by the board from annual special permits  
5 issued under this subsection must be deposited in the statewide  
6 tourism marketing account in RCW 43.384.040.

7 **Sec. 2.** RCW 66.24.200 and 2004 c 160 s 2 are each amended to  
8 read as follows:

9 There shall be a license for wine distributors to sell wine,  
10 purchased from licensed Washington wineries, wine certificate of  
11 approval holders, licensed wine importers, or suppliers of foreign  
12 wine located outside of the United States, to licensed wine retailers  
13 ((and)), other wine distributors, and holders of annual special  
14 permits issued under RCW 66.20.010(18), and to export the same from  
15 the state; fee ((six hundred sixty dollars)) \$660 per year for each  
16 distributing unit.

17 **Sec. 3.** RCW 43.384.040 and 2018 c 275 s 5 are each amended to  
18 read as follows:

19 The statewide tourism marketing account is created in the state  
20 treasury. All receipts from tax revenues under RCW 82.08.225, and all  
21 receipts from fees from annual special permits issued to short-term  
22 rental operators under RCW 66.20.010(18), must be deposited into the  
23 account. Moneys in the account may be spent only after appropriation.  
24 Expenditures from the account may be used only for expenditures of  
25 the department that are related to implementation of a statewide  
26 tourism marketing program and operation of the authority. A two-to-  
27 one nonstate or state fund, other than general fund state, match must  
28 be provided for all expenditures from the account. A match may  
29 consist of nonstate or state fund, other than general fund state,  
30 cash contributions deposited in the private local account created  
31 under RCW 43.384.020(4), the value of an advertising equivalency  
32 contribution, or an in-kind contribution. The board must determine  
33 criteria for what qualifies as an in-kind contribution.

34 **Sec. 4.** RCW 66.08.170 and 2017 3rd sp.s. c 1 s 978 are each  
35 amended to read as follows:

36 There shall be a fund, known as the "liquor revolving fund,"  
37 which shall consist of all license fees, permit fees other than as

1 provided in RCW 66.20.010(18), penalties, forfeitures, and all other  
2 moneys, income, or revenue received by the board. The state treasurer  
3 shall be custodian of the fund. All moneys received by the board or  
4 any employee thereof, except for change funds and an amount of petty  
5 cash as fixed by the board within the authority of law shall be  
6 deposited each day in a depository approved by the state treasurer  
7 and transferred to the state treasurer to be credited to the liquor  
8 revolving fund. During the 2009-2011 fiscal biennium, the legislature  
9 may transfer funds from the liquor revolving (~~(account-[fund])~~) fund  
10 to the state general fund and may direct an additional amount of  
11 liquor profits to be distributed to local governments. Neither the  
12 transfer of funds nor the additional distribution of liquor profits  
13 to local governments during the 2009-2011 fiscal biennium may reduce  
14 the excess fund distributions that otherwise would occur under RCW  
15 66.08.190. During the 2011-2013 fiscal biennium, the state treasurer  
16 shall transfer from the liquor revolving fund to the state general  
17 fund (~~(forty-two million five hundred thousand dollars)~~) \$42,500,000  
18 for fiscal year 2012 and (~~(forty-two million five hundred thousand~~  
19 ~~dollars)~~) \$42,500,000 for fiscal year 2013. The transfer during the  
20 2011-2013 fiscal biennium may not reduce the excess fund  
21 distributions that otherwise would occur under RCW 66.08.190. Sales  
22 to licensees are exempt from any liquor price increases that may  
23 result from the transfer of funds from the liquor revolving fund to  
24 the state general fund during the 2011-2013 fiscal biennium.  
25 Disbursements from the revolving fund shall be on authorization of  
26 the board or a duly authorized representative thereof. During the  
27 2017-2019 fiscal biennium, the legislature may also appropriate from  
28 the account for local government studies. In order to maintain an  
29 effective expenditure and revenue control the liquor revolving fund  
30 shall be subject in all respects to chapter 43.88 RCW but no  
31 appropriation shall be required to permit expenditures and payment of  
32 obligations from such fund. During the 2013-2015 and 2015-2017 fiscal  
33 biennia, the legislature may transfer from the liquor revolving fund  
34 to the state general fund such amounts as reflect the excess fund  
35 balance of the account.

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