HOUSE BILL REPORT
HB 1636

As Passed Legislature

Title: An act relating to simplifying administration of wine and spirit sales by eliminating the per transaction limit for volume.

Brief Description: Eliminating the per transaction limit for wine and spirit sales.

Sponsors: Representatives Volz, Hackney, Walen, McClintock, Chase and Parshley.

Brief History:

Committee Activity:

Consumer Protection & Business: 2/11/25, 2/18/25 [DP].

Floor Activity:

Passed House: 3/11/25, 91-5.
Passed Senate: 4/10/25, 41-8.
Passed Legislature.

Brief Summary of Bill

- Removes the restriction that, generally, no single sale of bottled or packaged wine or spirits by certain retail liquor licensees may exceed 24 liters when the sale is to another liquor retailer that is licensed to sell wine or spirits for consumption on the premises.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: Do pass. Signed by 14 members: Representatives Walen, Chair; McClintock, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Abbarno, Berry, Corry, Donaghy, Fosse, Kloba, Morgan, Reeves, Santos, Steele and Volz.

Minority Report: Do not pass. Signed by 1 member: Representative Ryu.

Staff: Peter Clodfelter (786-7127).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Combination Spirits, Beer, and Wine License.
There is a liquor license called a combination spirits, beer, and wine license, to: (1) sell wine and beer at retail in bottles, cans, and original containers, not to be consumed upon the premises where sold; (2) sell spirits in original containers to consumers for consumption off the licensed premises and to permit holders; (3) 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 license, although no single sale may exceed 24 liters; and (4) export spirits.

Wine Retailer Reseller Endorsement.
There is a wine retailer reseller endorsement to a beer and/or wine specialty shop license to sell wine at retail in original containers to retailers licensed to sell wine for consumption on the premises for resale at their licensed premises according to the terms of their license. However, no single sale may exceed 24 liters, unless the sale is made by a licensee that was a former state liquor store or contract liquor store at the location from which the sales are made.

Grocery Store License.
There is a grocery store license to sell wine and/or beer at retail in original containers, not to be consumed upon the premises where sold. There is a wine retailer reseller endorsement to a grocery store license to sell wine at retail in original containers to retailers licensed to sell wine for consumption on the premises for resale at their licensed premises according to the terms of their license. However, no single sale may exceed 24 liters, unless the sale is made by a licensee that was a contract liquor store manager of a contract-operated liquor store at the location from which the sales are made.

Spirits Retail License.
There is a spirits retail license to: (1) sell spirits in original containers to consumers for consumption off the licensed premises and to permit holders; (2) 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 license, although no single sale may exceed 24 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 (3) export spirits.

Closure and Auction of Former State Liquor Stores.
Initiative Measure No. 1183, passed in 2011, required the Liquor and Cannabis Board (LCB) to close all state liquor stores by June 1, 2012, and to auction off its existing state liquor distribution and state liquor store facilities and equipment, obtaining the maximum reasonable value for all asset sales. At a public auction in 2012, the LCB sold the right at each state-owned store location, 167 in total, for a spirits retail licensee to operate a liquor store. Acquisition of the operating rights was a precondition to, but did not establish

eligibility for, a spirits retail license at the location of a state store.

Successful bidders had the exclusive right to apply for a spirits retail license at the current location within its current footprint. However, if successful bidders were unable to secure a lease at the state store's location, the LCB provided that they could resell their right or request an alternative location within a 1-mile radius of the existing location. The total sum of all bids at the auction was $30.75 million, with 121 individual successful bidders. The lowest winning bid for a store was $49,600, and the highest winning bid for a store was $750,100. All sales proceeds, net of direct sales expenses and other authorized transition costs, were deposited into the Liquor Revolving Fund.

Summary of Bill:

Combination Spirits, Beer, and Wine License.
The restriction that no single sale may exceed 24 liters is removed, for sales by combination spirits, beer, and wine licensees of spirits in original containers to retailers licensed to sell spirits for consumption on the premises.

Wine Retailer Reseller Endorsement.
The restriction that, generally, no single sale may exceed 24 liters is removed, for sales of wine by holders of the wine retailer reseller endorsement to retailers licensed to sell wine for consumption on the premises.

Grocery Store License.
The restriction that, generally, no single sale may exceed 24 liters is removed, for sales of wine by a grocery store licensee with a wine retailer reseller endorsement to retailers licensed to sell wine at retail for consumption on the premises.

Spirits Retail License.
The restriction that, generally, no single sale may exceed 24 liters is removed, for sales of spirits in original containers by spirit retail licensees to retailers licensed to sell spirits for consumption on the premises.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This removes a 24-liter per sale restriction that applies to sales of wine or spirits by certain retailers to other liquor retailers. Originally, this was meant to protect

legacy stores when the state privatized liquor sales. Because the current restriction is per sale and not per day, there is a workaround if a retailer makes multiple purchases in one day. This is not an expansion but cleaning up outdated language. To a small extent there are some contract stores still operating, but unfortunately most of the contract stores are no longer in business. This bill simplifies things to allow enforcement to focus on age verification and preventing access by minors, opposed to paperwork. This bill does not harm the three-tier system, which was established in response to organized crime during the prohibition era. If a restaurant chooses to purchase alcohol from a retailer as a stopgap or regularly, it will increase receipts to the state because there will be an extra layer of taxation. There is a market need by restaurants for this service because restaurants lack storage facilities to stay fully stocked between orders from distributors. This will allow restaurants and hotels to keep businesses open. The bill adds competition to the marketplace by allowing more streamlined sales, and modernizes an outdated aspect of liquor law.

(Opposed) Provisions that allow these wine or spirits sales to take place from one retailer to another retailer were intended to be a stopgap, primarily for restaurants if they ran out of an alcohol product unexpectedly between orders from distributors. The bill would expand this to allow spirits and wine retailers to become distributors, which would erode the three-tier alcohol system separating manufacturers, distributors, and retailers. Distributors are able to quickly identify and remove product from distribution and from shelves in the case of public safety issues, which history has shown can be needed in certain circumstances. This bill would remove that protection by allowing unlimited sales by a retailer to another retailer.

Persons Testifying: (In support) Representative Mike Volz, prime sponsor; Brad Tower, Washington Liquor Store Association; and Sean DeWitz, Washington Hospitality Association.

(Opposed) Brooke Davies, Association of Washington Spirits and Wine Distributors.

Persons Signed In To Testify But Not Testifying: None.