

HOUSE BILL REPORT

HB 2035

As Reported by House Committee On:
Appropriations

Title: An act relating to increasing license, permit, and endorsement fees.

Brief Description: Increasing license, permit, and endorsement fees.

Sponsors: Representative Lekanoff.

Brief History:

Committee Activity:

Appropriations: 3/17/25, 3/20/25 [DPS].

Brief Summary of Substitute Bill

- Increases the fees on almost all liquor licenses, permits, and endorsements by 50 percent.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Ormsby, Chair; Gregerson, Vice Chair; Macri, Vice Chair; Bergquist, Callan, Cortes, Doglio, Fitzgibbon, Leavitt, Lekanoff, Pollet, Ryu, Stonier, Street, Thai and Tharinger.

Minority Report: Do not pass. Signed by 12 members: Representatives Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Burnett, Caldier, Corry, Dye, Keaton, Manjarrez, Marshall and Rude.

Minority Report: Without recommendation. Signed by 2 members: Representatives Berg and Springer.

Staff: Matt Mazur-Hart (786-7139).

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:

A liquor license, permit, or endorsement is required for businesses and organizations to sell, manufacture, distribute, store, or provide alcohol in Washington State. There are different types of licenses, permits, and endorsements available, depending on the type of organization, the type of liquor being sold, and the location where it is sold. Some licenses are onetime permits that allow an organization or business to sell alcohol at a particular event. Other licenses allow an organization to sell alcohol throughout the year at a place of business.

Each license, permit, and endorsement has an associated fee that ranges from \$5 to \$2,500. Some of the fees are set in statute and some are set in rule by the Liquor and Cannabis Board (LCB). The LCB issues all the licenses, permits, and endorsements. They also collect the associated fees for each license type and deposit the funds into the Liquor Revolving Account.

The University of Washington (UW) and Washington State University (WSU) receive approximately 10 percent of the license fees collected from certain liquor licenses, per RCW 66.08.180, to conduct alcoholism and drug abuse research.

Summary of Substitute Bill:

Almost all liquor license, permit, and endorsement fees that are set in statute are increased by 50 percent.

The LCB is directed to increase any liquor license, permit, or endorsement fees set by the LCB in rule by 50 percent.

The bill also amends RCW 66.08.180, related to the distribution of certain liquor license fees. Rather than the UW and WSU, that proportion of new fee revenue generated from this bill will go to the LCB for liquor enforcement activities.

Substitute Bill Compared to Original Bill:

The substitute bill revises RCW 66.08.180, related to the distribution of certain liquor license fees. Of the new fees collected under House Bill 2035 for these license types, approximately 10 percent will go to the LCB for enforcement, and approximately 90 percent will go to the General Fund.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Currently our state is in a budget crisis. This bill would be a mechanism to provide increased revenue to the General Fund. This increased revenue could help fund items that help save lives, as well as help our state's children and elders. These liquor license fees have not increased since 1997, so it seems like a good time to increase revenue into our General Fund through this bill.

(Opposed) The state already receives a significant amount of revenue from liquor sales and taxes. In general, spirits products in Washington are already the highest taxed products in the nation. Since 2011 small liquor stores have remitted license issuance fees and other licensing fees to the state, along with the taxes they collect. Currently, the state collects 17 percent gross receipts license issuance fee on their sales, which amounts to tens of thousands of dollars per month. There is no justification for an increase to the annual liquor license fees to allow the state to collect the 17 percent gross receipts license issuance fee which the stores already remit.

This bill will negatively impact small business owners and consumers. COVID-19 negatively impacted the craft distillers and general license distillers. The number of these distillers in the state dropped by about 50. The distillery community's goal is to thrive and promote agricultural products in the state. A craft distillery in this state must use 80 percent of Washington agricultural products by law. This bill would be devastating to the distillery business community and would cost jobs. The vast majority of craft breweries are run by small business owners that create jobs and support their community. This bill would disproportionately burden small independent breweries financially. These small businesses are already facing the challenges of recovering from the pandemic, current inflation rates causing ingredients to rise in cost, and harmful tariffs. The increased costs caused by this bill would either be passed on to consumers, or absorbed by the small independent breweries leading to the loss of jobs and small business closures.

This bill disproportionately impacts some liquor license categories more than others and causes inequitable fiscal burdens. Fees are supposed to cover services rendered by the regulatory agency, they are not supposed to be general taxation. Part of this discussion should include how this increased revenue will be used to improve the services provided by the LCB, such as liquor license processing times.

This bill lacks legislative findings, a statement of purpose, and a reason for raising these fees. Any introduction of a bill that increases fees should be preceded by a discussion with all stakeholders involved. Proposed alternatives to this bill include adjusting tax rates for

out-of-state companies based on volume.

Persons Testifying: (In support) Representative Debra Lekanoff, prime sponsor.

(Opposed) Jeffrey Pack, Washington Citizens Against Unfair Taxes; Brad Tower, Washington Liquor Store Association; Jim Hedrick, Washington Distillers' Guild; Amber Carter, WA Retail Association; Daniel Olson, Washington Brewers Guild; Nora Palattao Burnes, WA Beer and Wine Distributors Association; Sean DeWitz, Washington Hospitality Association; and Charlie Brown, Diageo.

Persons Signed In To Testify But Not Testifying: None.