

**WAC 314-20-095 What are the requirements for contract production between microbreweries?** This section clarifies the language for contract production found in RCW 66.24.244. For the purposes of this section, contract production is when one microbrewer, referred to as the "contractor," produces and packages beer for another microbrewer, referred to as the "contractee." This beer is referred to as the "product."

(1) The contractee is the product owner. As such, the contractee may distribute and retail the product.

(2) The contractor is required to physically transport all contracted product to the contractee. The contractor is not allowed to distribute or retail the product.

(3) The contractor must submit a copy of the contract to the board prior to production. Any changes in the contract must also be submitted to the board prior to subsequent production. The board may require additional information.

(4) The contractor is required to obtain federal label approval, and the contractee is required to obtain state label approval.

(5) State taxes listed under RCW 66.24.290.

(a) The contractor is not responsible for the taxes.

(b) The contractee is responsible for the taxes when the contractee is acting as its own distributor or retailer for the product.

(c) When the contractee uses a distributor to distribute the product, then the distributor is responsible for the taxes.

(6) Maintaining qualification as a microbrewery. Each microbrewery, whether in the capacity of a contractor or contractee, is allowed to produce under sixty thousand barrels of total product per year. Total product, in this instance, includes product (a) owned and produced by the microbrewery; (b) owned by the microbrewery but produced by another microbrewery; and (c) produced by the microbrewery on behalf of another microbrewery.

(7) Reporting and recordkeeping.

(a) The contractor must include the product produced when it reports its monthly production to the board.

(b) The contractee must include the sale of the product when it submits its monthly sales report to the board. The board may also require the contractee to include the product when the contractee reports its monthly production to the board.

(c) The contractor's and the contractee's recordkeeping documents must include the product information for each contract. The information must show the quantities produced.

[Statutory Authority: RCW 66.08.030, 66.24.240, 66.24.244. WSR 09-02-009, § 314-20-095, filed 12/29/08, effective 1/29/09.]