

SENATE BILL REPORT

SHB 2959

As Reported By Senate Committee On:
Labor, Commerce, Research & Development, February 28, 2008

Title: An act relating to craft distilleries.

Brief Description: Concerning craft distilleries.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives Wood, Ormsby, Springer, Conway, Linville, Barlow, Walsh and Quall).

Brief History: Passed House: 2/15/08, 89-1.

Committee Activity: Labor, Commerce, Research & Development: 2/28/08 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Holmquist, Ranking Minority Member; Franklin, King, Murray and Prentice.

Staff: Mac Nicholson (786-7445)

Background: The Liquor Control Board (LCB) is responsible for issuing licenses for the in-state production of liquor. An individual interested in producing liquor must obtain the proper license and pay the associated fee. Common non-retail liquor licenses, and the corresponding fee, include:

Microbrewery (less than 60,000 barrels per year) \$100
Domestic Brewery (60,000 barrels or more per year) \$2,000
Domestic Winery (less than 250,000 liters per year) \$100
Domestic Winery (more than 250,000 liters per year) \$400
Distiller/Rectifier \$2,000

Liquor licensees are subject to a number of statutory and administrative restrictions and regulations, including tied-house restrictions and restrictions on giving samples and conducting educational activities.

Distillers in Washington are prohibited from selling spirits in the state to any person or entity other than the LCB. Distillers are also prohibited from serving spirits without charge on the distillery premises.

Summary of Bill: The current distiller licensing fee of \$2,000 is reduced to \$100 for certain distillers. In order to qualify for the reduced fee, the distillery must: 1) produce no more than

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20,000 gallons of spirits; and 2) at least half of the raw materials used in the production must be grown in Washington. Distilleries paying the reduced licensing fee are called "craft distilleries."

A licensed craft distillery may sell spirits of its own production for consumption off the premises, of up to two liters per person per day. A craft distillery may provide one-half ounce samples of spirits, limited to two ounces per person per day. Any person serving samples must obtain an alcohol server permit. Spirits sold on the premises or given away as samples must be purchased from the LCB and sold at the retail price established by the LCB.

Distilling is defined in the legislation as an agricultural practice, and craft distilleries are subject to the same restrictions and regulations as other liquor licensees.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Substitute Bill: PRO: This bill will help individuals establish craft distilleries in the state by lowering the current licensing fee. Some changes were made from the underlying bill to accommodate some concerns that have been raised by different parties.

Persons Testifying: PRO: Representative Wood, prime sponsor.