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## Government Accountability & Oversight Committee

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### ESSB 5731

**Brief Description:** Allowing beer and/or wine specialty shop licensees to sell products made by distillers that produce sixty thousand gallons or less of spirits per year.

**Sponsors:** Senate Committee on Commerce & Labor (originally sponsored by Senators Keiser, Conway, Fain and Kline).

#### Brief Summary of Engrossed Substitute Bill

- Authorizes the Liquor Control Board (LCB) to issue to a beer and/or wine specialty shop (shop) meeting specified criteria an endorsement to sell spirits produced by a distiller producing 60,000 or less of spirits per year.
- Requires a shop whose license includes an endorsement to sell spirits to pay the LCB a license issuance fee equal to 17 percent of all spirit sales revenues.
- Requires that the employees of a shop who participate in or manage the sale of spirits obtain training regarding compliance with laws and regulations pertaining to spirits sales and that such training be renewed every 5 years.
- Authorizes the LCB to double the maximum penalties, fines, and suspensions that may be imposed on a licensee with respect to violations relating to the sale of spirits.

**Hearing Date:** 2/24/14

**Staff:** Thamas Osborn (786-7129).

#### **Background:**

##### Introduction.

The Liquor Control Board (LCB) issues various types of licenses, including those for beer and/or wine specialty shops, wineries, microbreweries, domestic breweries, restaurants, and nightclubs. In certain circumstances, the LCB may impose conditions or restrictions on a license, or include

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special endorsements authorizing the sale of specified alcoholic beverages subject to specified conditions. All conditions, restrictions, and endorsements issued by the LCB must be listed on the face of the license along with the trade name, address, and expiration date of the license. A licensee must post its license in a conspicuous place on the premises.

#### Beer and/or Wine Specialty Shop License.

A beer and/or wine specialty shop license authorizes the shop to sell beer, strong beer, and/or wine at retail in bottles, cans, and original containers, but not to be consumed upon the premises where sold. Licensees obtaining a written endorsement from the LCB may also sell malt liquor in kegs or other containers capable of holding 4 gallons or more of liquid. Such licensees may provide, free or for a charge, single-serving samples of 2 ounces or less to customers for the purpose of sales promotion. Upon approval by the LCB, the beer and/or wine specialty shop licensee that exceeds 50 percent beer and/or wine sales may also receive an endorsement to permit the sale of beer to a purchaser in a sanitary container brought to the premises by the purchaser, or provided by the licensee or manufacturer, and fill at the tap by the licensee at the time of sale. The annual fee for the beer and/or wine specialty shop license is \$100 for each store.

#### Spirits Retail Licenses.

With the passage of I-1183 in November 2011, the sale of liquor has become privatized. Retailers with at least 10,000 square feet of retail space, former state liquor stores, or former contract liquor stores can obtain a spirits retail license. Retail businesses having less than 10,000 square feet of retail space can obtain a spirits retail license from the LCB if they are otherwise qualified, if there is not a licensed spirits retailer within the trade area, if the applicant meets operational requirements established by LCB, and if the license applicant has no more than one public safety violation within the preceding three years.

#### Spirits Retail License Issuance Fee.

The holder of a spirits retail license must pay to the LCB a license issuance fee equivalent to 17 percent of spirit sales revenues collected under the license. The calculation of this fee is exclusive of taxes collected by the shop on such sales.

#### **Summary of Bill:**

A beer and/or wine specialty shop licensee meeting specified criteria may obtain an endorsement to sell spirits produced by a distiller producing 60,000 or less of spirits per year. Eligibility for the endorsement requires that the shop:

- have total sales that consist of at least 50 percent liquor;
- maintains a wholesale inventory of beer, strong beer, and/or wine that is worth at least \$5,000;
- has a licensed premises under 10,000 square feet; and
- has obtained its beer and/or wine specialty shop license before January 1, 2013.

A shop whose license includes an endorsement to sell spirits must pay the LCB a license issuance fee equal to 17 percent of all spirit sales revenues. However, the calculation of this fee must exclude taxes collected by the shop on such sales.

In order to receive and/or renew an endorsement to sell spirits, a shop must provide specified training to employees regarding laws and regulations governing the the sale of spirits to individuals and such training must be renewed at five year intervals.

Shops with endorsements to sell spirits are subject to a doubling of the maximum penalties, fines, and suspensions prescribed by the board for regulatory, public safety, license, and nonretail violations relating to the sale of spirits.

**Appropriation:** None.

**Fiscal Note:** Available.

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