

**Initiative Measure****1100**

Proposed by initiative petition:

## **Initiative Measure No. 1100 concerns liquor (beer, wine and spirits).**

**This measure would close state liquor stores; authorize sale, distribution, and importation of spirits by private parties; and repeal certain requirements that govern the business operations of beer and wine distributors and producers.**

**Should this measure be enacted into law?**

- Yes  
 No

The Official Ballot Title and the Explanatory Statement were written by the Attorney General as required by law. The Fiscal Impact Statement was written by the Office of Financial Management as required by law. The Secretary of State is not responsible for the content of arguments or statements (WAC 434-381-180). The complete text of Initiative Measure 1100 begins on page 72.

## **Explanatory Statement**

Written by the Office of the Attorney General

### **The Law as it Presently Exists**

Currently, the state controls the sale and distribution of spirits in Washington. The term "spirits" refers to the alcoholic beverages commonly called "hard liquor" (whiskies, vodka, gin, etc.), any beverage containing distilled alcohol (except flavored malt beverages), and wines exceeding twenty-four percent alcohol by volume. Spirits are sold at retail by state liquor stores and contract liquor stores (which are businesses selling liquor on behalf of the state through a contract with the state). Spirits

are distributed within Washington by the state Liquor Control Board. The Board purchases spirits from manufacturers, distillers, and suppliers, furnishes spirits to state liquor stores, and sells spirits directly to authorized purchasers, such as restaurants. Spirits manufacturers, distillers, and suppliers may sell spirits within the state only to the Board.

The Liquor Control Board is responsible for the general control, management, and supervision of all state liquor stores and contract stores, as well as the state's spirits distribution operation. The Board regulates the kind, character, and location of liquor advertising. The Board is not authorized to advertise its sales of spirits.

The Liquor Control Board sets prices for spirits based on wholesale cost, a markup by the Board, and taxes. The net proceeds from the markup on the sales of spirits are distributed to the state, cities, and counties, according to formulas set by state law. A variety of taxes are imposed on the retail sale of spirits. The generally applicable retail sales tax does not apply to spirits. The tax revenues from sales of spirits are distributed to the state, cities, counties, and to fund specific state and local programs, according to formulas established by state law.

Under existing law, private parties who are licensed may sell and distribute beer and wine not exceeding twenty-four percent alcohol by volume. Private beer and wine license holders operate under a "three-tier system". Under the three-tier system, there are separate licenses for (1) manufacturing, (2) distributing, and (3) retailing of beer and wine. The three-tier system regulates the financial relationships and business transactions between licensed parties in the three tiers. Retailers are allowed to purchase beer and wine only from licensed distributors, with certain exceptions, and licensed distributors are allowed to purchase only from licensed manufacturers, with certain exceptions. The licensed distributors and manufacturers are required to maintain and adhere to published price lists and to offer uniform pricing to all customers on a statewide basis. Uniform pricing precludes a distributor from selling spirits at a discount to individual retailers if the same price is not available to other retailers, and similarly precludes a manufacturer from making discounted sales to individual wholesalers.

## **The Effect of the Proposed Measure, if Approved**

If approved, Initiative 1100 would direct the Liquor Control Board to close all state liquor stores, to terminate contracts with the private contract liquor stores, and to shut down the state's spirits distribution operation. It would allow licensed private parties to sell spirits as retailers or distributors, and it would terminate the state's authority to sell spirits. This would eliminate the net proceeds from the Board's markup on sales of spirits at state liquor stores and contract liquor stores, which are distributed to the state, cities, and counties. Initiative 1100 would retain existing taxes on the sales of spirits, with minor modifications.

Initiative Measure 1100 would change the Liquor Control Board's powers. It would eliminate the Board's authority to manage liquor stores, distribute spirits, set spirit prices, and require the Board to close state stores by December 31, 2011. The measure would limit the Board's rulemaking powers to regulation of licensing matters, taxation, and the prevention of abusive consumption and underage drinking. The Board's authority to regulate the kind, character, and location of advertising of liquor would be subject to new limitations.

Initiative 1100 would authorize the Board to license private entities to sell spirits at retail, to distribute spirits to retailers, and to manufacture or import spirits in Washington. With exceptions, license holders would pay annual licensing fees. The licensing fees would be used for the costs of administration, for enforcement of licensing laws, and to reduce abusive consumption of alcohol and underage drinking.

Under Initiative 1100, a "general liquor retailer's license" would allow the license holder to sell spirits, beer, and wine at retail. This retailing license would be available to any person who applies for the license, meets requirements, and pays the necessary licensing fee. In addition, any grocery store or specialty store with a beer and/or wine license in good standing could pay a fee and obtain a general liquor retailer's license, which would allow sales of spirits. All of the stores that formerly sold spirits under a contract with the state could obtain a general liquor retailer's license without paying a fee.

A "general liquor distributor's license" would allow the license holder to distribute beer, wine,

and spirits obtained from authorized sources, such as licensed manufacturers and importers. Current holders of a beer or wine distributor license could obtain a general liquor distributor's license allowing distribution of spirits by paying a licensing fee. A person could also obtain a spirits distributor license to distribute only spirits. A licensed distillery or manufacturer could act as a distributor and retailer of its own products.

Under Initiative 1100, spirits could be produced under a distillery license or manufacturer's license, subject to regulation by the Board. A license for spirits importers would allow the import and export of spirits, subject to regulation by the Board. Other licenses or certificates of approval would allow a distiller or manufacturer of spirits outside the state to sell and ship spirits into the state.

Initiative 1100 also changes the laws that regulate the importation, distribution, delivery, and retail sales of beer and wine. Initiative Measure 1100 would eliminate the existing three-tier regulatory system for beer and wine that, in general, requires licensed manufacturers to sell only to licensed distributors, and licensed distributors to sell only to licensed retailers. It would repeal the uniform pricing requirement that requires each manufacturer to offer beer or wine at a uniform price to all distributors and requires each distributor to offer beer and wine at a uniform price to all retailers.

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## **Fiscal Impact Statement**

Written by the Office of Financial Management

### **Fiscal Impact**

Fiscal impact cannot be precisely estimated because the private market will determine spirits bottle cost and markup. Using a range of assumptions, total state revenues decrease an estimated \$76 million – \$85 million and total local revenues decrease an estimated \$180 million – \$192 million, both over five fiscal years. One-time net state revenue gain of \$27.8 million is estimated from sale of the state liquor distribution center. One-time state costs are estimated at \$38.6 million. Ongoing state costs for tax collection are estimated at \$426,000.

### **General Assumptions**

The initiative uses the term "spirits" to describe

alcoholic beverages that are distilled instead of fermented. For purposes of the fiscal impact statement, the term "liquor" is used for "spirits" to maintain consistent terminology. Beer and wine are not spirits or liquor.

Estimates are described using the state's fiscal year (FY) of July 1 through June 30.

A new liquor distributor license is available January 1, 2011, and a new liquor retail license is available June 1, 2011; licensees can begin making sales of liquor on these dates. There is no limit on the number of licenses that can be issued.

By June 15, 2011, the state will no longer operate the state liquor distribution center or state liquor stores.

Estimates assume 3,357 licensed liquor retailers, based on the January 2010 State Government Performance Review by the Washington State Auditor (State Auditor review). Estimates assume 177 licensed liquor distributors based on the number of current Washington State Liquor Control Board (LCB) licensed beer and wine distributors.

Estimates of impacts are measured against the June 2010 LCB revenue forecast (forecast).

Retail liquor liter sales are estimated to grow 5 percent from increased access to liquor. This assumption is based on an academic study and growth experienced in Alberta, Canada, after converting from state liquor stores to private liquor stores. Additional growth in liquor liter sales is estimated using the forecast price elasticity assumption of 0.49 percent. Price elasticity is a method used to calculate the change in consumption of a good when price increases or decreases. For every 1 percent increase/decrease in price, liquor liter sales increase/decrease 0.49 percent. Growth from increased access and price elasticity is in addition to normal 3 percent growth in liquor liter sales assumed in the forecast.

### State and Local Revenues

Actual fiscal impacts depend on liquor bottle cost in the private market and the markup applied by both private liquor distributors and retailers. Therefore, there is a wide range of potential fiscal impacts. Using the LCB forecast's average bottle price for a liter of liquor (before taxes and

markup) and a range of total private distributor/retailer markup (at 25 percent, 39.2 percent and 45 percent), a range of potential state and local revenue impacts is estimated.

The range of markup was selected from the following sources:

25 percent is based on U.S. Internal Revenue Service data (sales revenue minus cost of goods) of retail food, beverage and liquor stores throughout the United States.

39.2 percent is forecasted state markup beginning July 1, 2011.

45 percent is the total liquor markup contained in the State Auditor review and is based on information from the Distilled Spirits Council of the United States.

Over five fiscal years, total state revenues are estimated to decrease in the range of \$76 million to \$85 million, as shown on page 27, Figure 3.1.

Under current law, counties and cities receive a share of state liquor board profits and state liquor excise tax collections. Therefore, counties and cities will also experience revenue decreases estimated in the range of \$180 million to \$192 million over five fiscal years, as shown on page 27, Figure 3.2.

The range of Total State Revenues and Total Local Revenues is the sum of revenue gains, revenue losses or no revenue impact from the following assumptions:

The initiative sets a \$2,000 annual liquor distributor license fee and a \$1,000 annual liquor retailer license fee. The number of licenses is assumed to be constant for each fiscal year.

Liquor distributor licensees are assumed to be subject to the wholesaling business and occupation (B&O) tax. Liquor retailer licensees are assumed to be subject to the retailing B&O tax.

Liquor liter taxes and liquor sales taxes are not amended by the initiative. However, a 10 percent tax on the selling price of liquor to restaurant licensees and an additional 1.4 percent tax on the same sales are effectively repealed with the closure of the state's liquor distribution center and state liquor stores. The initiative includes a 10 percent tax on the same sales through licensed liquor distributors and retailers, and is assumed to replace a portion of these taxes.

Except for the loss of sales in state liquor stores,

estimates do not assume any change in pricing or volume of sales of beer and wine.

State liquor stores sell Washington State Lottery products to the public. The estimate assumes 25 percent of these sales will be lost and remaining sales will occur in other outlets selling Washington State Lottery products.

Estimates of sales by current restaurant licensees who sell liquor at retail are limited to changes from price elasticity and the loss of the state's 15 percent quantity price discount to these licensees.

Estimates do not assume any change in sales by liquor stores operated on military bases. Such sales are assumed not to be subject to liquor liter taxes, liquor sales taxes or B&O tax.

Estimates do not assume any change in sales by liquor stores operated by tribes. Such sales are assumed to be subject to liquor liter taxes and liquor sales taxes based on current agreements between tribes and LCB, but are not subject to B&O tax.

No additional change is assumed for tax avoidance/non-compliance by consumers or migration of sales in and out of state by consumers. These items are assumed in the forecast price elasticity assumption.

Revenue from the state markup used to pay for the state liquor distribution center and state liquor store costs are netted to zero. The initiative eliminates both the revenue (markup) and the costs (state liquor distribution center and state liquor stores), which results in no additional revenue to the state.

Total amounts include other decreased distributions from the Liquor Revolving Fund.

Approximately 38 cities and towns impose a local B&O tax. Because it is not known where liquor distributor and liquor retailer licensees will locate, the amount of revenue generated from local B&O tax is indeterminate and not included in the estimate.

The sale of the state liquor distribution center is estimated to generate a potential net \$27.8 million in revenue. Because sale date cannot be precisely determined, this revenue is stated separately and excluded from the Total State Revenue estimates above. The value of the state liquor distribution center is estimated to be \$20.8 million, based on King County Assessor's Office 2010 assessed value of the property. The sale of the equipment

in the state liquor distribution center is estimated to be \$8 million, based on the Washington State Auditor review, which assumed the sale of \$16 million in assets would return about \$8 million. Costs to sell the state liquor distribution center are estimated to total \$1 million at the time of sale.

### State and Local Expenditures

Total state revenues will be deposited into two state accounts: the State General Fund and the State Opportunity Pathways Account. Below are tables that show the estimated net revenue loss to each account by fiscal year. Revenue to the State Opportunity Pathways Account is not dependent on the total private liquor distributor/retailer markup, and therefore, the estimated revenue loss to this account will not vary.

In addition to revenue from liquor board profits and liquor excise taxes, revenue from beer, wine and other business enterprise activities are deposited into the Liquor Revolving Fund. A portion of revenues in the Liquor Revolving Fund in excess of LCB expenses are deposited into the State General Fund according to a statutory formula. The impact to the State General Fund shown in the table below exceeds Total State Revenues because distributions that would otherwise be deposited into the State General Fund are assumed to remain in the Liquor Revolving Fund for LCB expenses. The amount is estimated at \$10 million for each fiscal year beginning in FY 2012. State General Fund revenue can be used for any governmental purpose, and therefore, the impact of decreased revenue on state expenditures will be determined by the Legislature. (See page 27, Figure 3.3.)

Washington State Lottery proceeds in excess of expenses are deposited into the State Opportunity Pathways Account to support programs such as State Need Grant, State Work Study awards, Washington Scholars and Washington Award for Vocational Excellence. Funds from the account may also be used to support early learning programs. Over five fiscal years, it is estimated that funds to this account will decrease \$1,327,000. (See page 28, Figure 3.4.)

The initiative requires liquor license revenue to be used only for purposes of the administration and enforcement of liquor licenses and reducing underage or abusive consumption. Therefore, an

estimated \$3.7 million each fiscal year is assumed to be spent on LCB liquor license administration and enforcement activities.

Like the State General Fund, counties and cities receive a share of revenue from the Liquor Revolving Fund. Therefore, in addition to decreased liquor profits and liquor excise taxes, other reduced distributions from the Liquor Revolving Fund affect counties and cities. The amount is estimated at \$10 million for each fiscal year beginning in FY 2012. RCW 70.96A.087 requires each county and city to spend 2 percent of its share of state liquor board profits and state liquor excise taxes on alcohol and chemical dependency services, and these expenditures will decrease. The remaining revenue can be used for any allowable local government purpose. Therefore, the impact of decreased revenue on local government expenditures will be determined at the local level. (See page 28, Figure 3.5.)

### **State and Local Cost Estimate Assumptions**

This fiscal impact statement does not estimate state costs or state savings due to social impacts from approval of the initiative.

#### **One-Time Costs**

Assuming a closure date of June 15, 2011, LCB will incur one-time state costs associated with managing the closure of the state liquor distribution center and state liquor stores. There will be additional one-time costs for issuing new licenses. These state costs are estimated to total \$30 million during FYs 2011 and 2012:

Unemployment, sick leave and vacation buyout costs for state employees estimated at \$11.8 million.

Information technology changes and staff to issue new licenses estimated at \$4.7 million.

Staffing costs to coordinate the sale of existing inventory, termination of contract store leases, and to surplus store fixtures estimated at \$10.2 million.

Final audits of each state and contract liquor store estimated at \$1.9 million.

Project management and additional human resource staff estimated at \$1.4 million.

The Washington State Department of Revenue will assume administration of the liquor excise tax collection from 3,534 licensed liquor distributors and retailers. Costs include additional staff,

information technology changes, rule making and policy activities, taxpayer mailings and workshops, supplies and materials. Total one-time state costs are estimated to total \$313,000 during FYs 2011 and 2012.

There is \$8.32 million in debt service costs for a Certificate of Participation bond for the state liquor distribution center that is scheduled to be paid by December 1, 2013. This one-time state cost is assumed in FY 2012.

#### **Ongoing Costs**

The LCB costs at current levels for the licensing, enforcement and administration for all entities licensed by LCB are assumed to be paid from other revenue sources deposited into the Liquor Revolving Fund. No state costs from increased enforcement activities are assumed in the estimate.

State costs associated with the state liquor distribution center and state liquor stores operations are not assumed as savings because the revenue source (state markup) used to pay these costs is eliminated by the initiative. These costs are netted out of the revenue impacts.

The Washington State Department of Revenue will have ongoing costs related to liquor excise tax collection duties that are estimated to total \$426,000 for FYs 2013–2015. No costs or savings for tax collection are assumed for local governments.

Figure 3.1 Total State Revenues						
Fiscal Year	2011	2012	2013	2014	2015	TOTAL
State Revenue – 25% Markup	(\$2,633,000)	(\$20,731,000)	(\$16,410,000)	(\$20,350,000)	(\$24,481,000)	(\$84,605,000)
State Revenue – 39.2% Markup	(\$2,231,000)	(\$17,264,000)	(\$15,669,000)	(\$19,458,000)	(\$23,427,000)	(\$78,049,000)
State Revenue – 45% Markup	(\$2,067,000)	(\$15,983,000)	(\$15,538,000)	(\$19,274,000)	(\$23,187,000)	(\$76,049,000)

Figure 3.2 Total Local Revenues						
Fiscal Year	2011	2012	2013	2014	2015	TOTAL
Local Revenue – 25% Markup	(\$6,319,000)	(\$41,361,000)	(\$43,675,000)	(\$48,118,000)	(\$52,774,000)	(\$192,247,000)
Local Revenue – 39.2% Markup	(\$6,183,000)	(\$39,041,000)	(\$41,576,000)	(\$45,914,000)	(\$50,458,000)	(\$183,172,000)
Local Revenue – 45% Markup	(\$6,127,000)	(\$38,139,000)	(\$40,786,000)	(\$45,084,000)	(\$49,586,000)	(\$179,722,000)

Figure 3.3 State General Fund Impact						
Fiscal Year	2011	2012	2013	2014	2015	TOTAL
State General Fund – 25% Markup	(\$2,620,000)	(\$30,410,000)	(\$26,089,000)	(\$30,019,000)	(\$34,140,000)	(\$123,278,000)
State General Fund – 39.2% Markup	(\$2,218,000)	(\$26,943,000)	(\$25,348,000)	(\$29,127,000)	(\$33,086,000)	(\$116,722,000)
State General Fund – 45% Markup	(\$2,054,000)	(\$25,662,000)	(\$25,217,000)	(\$28,943,000)	(\$32,846,000)	(\$114,722,000)

Figure 3.4 State Opportunity Pathways Account Impact						
Fiscal Year	2011	2012	2013	2014	2015	TOTAL
State Opportunity Pathways Account	(\$13,000)	(\$321,000)	(\$321,000)	(\$331,000)	(\$341,000)	(\$1,327,000)

Figure 3.5 Total Local Impact						
Fiscal Year	2011	2012	2013	2014	2015	TOTAL
Local Revenue – 25% Markup	(\$6,319,000)	(\$41,361,000)	(\$43,675,000)	(\$48,118,000)	(\$52,774,000)	(\$192,247,000)
Local Revenue – 39.2% Markup	(\$6,183,000)	(\$39,041,000)	(\$41,576,000)	(\$45,914,000)	(\$50,458,000)	(\$183,172,000)
Local Revenue – 45% Markup	(\$6,127,000)	(\$38,139,000)	(\$40,786,000)	(\$45,084,000)	(\$49,586,000)	(\$179,722,000)

## Argument For Initiative Measure 1100

### **I-1100: The best way to end the state liquor monopoly**

As part of a modernization of law concerning beer, wine and liquor, I-1100 ends the state's monopoly on liquor sales, in the best interests of consumers. It directs the Liquor Board to concentrate on enforcement of liquor laws, such as prohibiting underage drinking, rather than devote its time and financial resources to marketing distilled spirits. The state has no business promoting and profiting from the sale of liquor.

### **I-1100 stops the state's 51.9 percent mark-up**

Washington has the highest liquor taxes in the nation. In addition to high taxes, the state also charges a profit margin of 51.9 percent on each liter of alcohol it sells. I-1100 will end the monopoly profits that make ours the most expensive liquor in the country. I-1100 would allow retailers to purchase directly from manufacturers rather than accepting additional costs of a middleman.

### **I-1100 creates private sector jobs**

Closing state liquor stores creates hundreds of new private sector jobs.

### **I-1100 improves competition**

Old laws protect distributors from competition and stifle innovation. 1100 ends Prohibition era laws, improving competition for consumers.

Ending state liquor sales and making enforcement of liquor laws the primary responsibility of the Liquor Control Board is the best way to protect our kids and ensure fair competition. Please vote yes on I-1100.

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## Rebuttal of Argument Against

Opposition is really about money, not public safety. I-1100 closes state liquor stores and returns state's focus where it belongs: enforcement of liquor laws. I-1100 provides choice and convenience to consumers and grows private sector jobs. Taxes remain but price gouging ends. Local zoning controls where stores are located. California has private liquor sales and fewer alcohol-related driving deaths per capita than Washington. The facts are clear; wild opposition claims are baseless. *I-1100 makes sense.*

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## Argument Prepared by

**Jim Sinegal**, CEO, Costco Wholesale Corporation;  
**Anthony Anton**, President/CEO of 5000 Member Washington Restaurant Association; **Paul Beveridge**, President, Family Wineries of Washington, Owner, Wildridge Winery.

**Contact:** (206) 381-5396; [www.YesTo1100.com](http://www.YesTo1100.com)

## Argument Against Initiative Measure 1100

Initiative 1100 completely deregulates sales and enforcement of hard liquor, beer and wine, threatening public safety and costing taxpayers millions.

### **More Hard Liquor Consumption, More Problems**

Under this scheme hard liquor outlets will explode from 315 to 3,300, three times more per person than California. More than 2,000 convenience stores, neighborhood mini-marts, and gas stations – many near schools and in high crime areas – will sell liquor until 2 am. More consumption means more drunk driving, underage drinking and crime.

### **1100 Goes Too Far**

I-1100 threatens public safety, wiping out alcohol regulation, including enforcement, making Washington the most deregulated state in the country. Washington currently ranks #1 in keeping hard liquor out of the hands of minors, but private outlets like mini-marts are 400% more likely to sell liquor to minors, according to Liquor Control Board data.

### **1100 Costs Taxpayers**

State sales generate over \$350 million annually, funding for local schools, health care, police, firefighters, and alcohol and drug abuse prevention. 1100 will wipe out much of that revenue, meaning fewer services, higher taxes, or both. Given our budget crisis now isn't the time to lose these resources.

And 1100 makes it harder for Washington's small businesses to compete. Big out-of-state corporations will be given an unfair competitive advantage over our local craft breweries and wineries – costing us jobs when we can least afford it.

The Washington State Firefighters, Washington Association of Churches, law enforcement leaders and many others agree: Vote *no* on I-1100.

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## Rebuttal of Argument For

1100 creates an explosion of liquor outlets, to 3,300. Hard liquor will be available at convenience stores and mini-marts, which are 400% more likely to sell to kids. It wipes out enforcement funding, and an independent analysis found 1100 slashes \$275 million from services like schools and public safety. Washington's craft brewers and winemakers oppose, because it threatens their ability to compete and create jobs. 1100: too risky, goes too far. Vote no.

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## Argument Prepared by

**Jim Cooper**, Washington Association for Substance Abuse and Violence Prevention; **Alice Woldt**, Executive Director, Washington Association of Churches; **Kelly Fox**, President, Washington State Council of Firefighters; **John Lovick**, Snohomish County Sheriff; **Sharon Ness**, RN, Acute Care Nurse; **Craig Sousie**, Emergency Medical Technician, Renton Fire and Emergency Services.

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## Complete Text

### Initiative Measure 1100

AN ACT Relating to liquor; amending RCW 43.19.19054, 66.08.020, 66.08.060, 66.20.010, 66.20.160, 66.24.310, 66.24.380, 66.24.540, 66.24.590, 66.28.040, 66.28.060, 66.28.280, 66.44.150, 66.44.160, and 82.08.160; adding a new section to chapter 66.04 RCW; adding new sections to chapter 66.08 RCW; adding a new section to chapter 66.12 RCW; adding a new section to chapter 66.20 RCW; adding new sections to chapter 66.24 RCW; adding a new section to chapter 66.28 RCW; adding a new section to chapter 66.32 RCW; adding new sections to chapter 66.44 RCW; adding a new section to chapter 82.08 RCW; creating a new section; repealing RCW 66.24.145, 66.32.010, 66.28.010, 66.28.170, 66.28.180, 66.28.285, 66.28.290, 66.28.295, 66.28.300, 66.28.305, 66.28.310, 66.28.315, 66.28.320, 66.12.110, 66.12.120, 66.08.026, 66.08.030, 66.08.050, 66.08.070, 66.08.075, 66.08.165, 66.08.166, 66.08.167, 66.08.220, 66.08.235, 66.16.010, 66.16.040, 66.16.041, 66.16.050, 66.16.060, 66.16.070, 66.16.090, 66.16.100, 66.16.110, 66.16.120, 66.24.440, 66.28.045; and providing effective dates.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

**NEW SECTION. Sec. 1.** (1) The people of Washington state desire that the liquor control board focus on its core mission of education and enforcement to protect the health, welfare, and safety of the citizens.

(2) In order to strengthen the agency to more effectively educate the public, combat abuse, collect tax revenue, and enforce state liquor laws, the Washington state liquor control board will stop selling liquor and end its prohibition-era monopoly on selling distilled spirits. The state will license the sale of distilled spirits to strictly regulated vendors who are already proven to be responsible sellers of beer and wine.

(3) This act will improve regulations to prevent abusive and underage drinking, enforce licensing regulations, and collect taxes for the state's general fund.

**Sec. 2.** RCW 43.19.19054 and 1975-'76 2nd ex.s. c 21 s 7 are each amended to read as follows:

The provisions of RCW 43.19.1905 shall not apply to materials, supplies, and equipment purchased for resale to other than public agencies by state agencies, including educational institutions. ~~((In addition, RCW 43.19.1905 shall not apply to liquor purchased by the state for resale under the provisions of Title 66 RCW.))~~

**NEW SECTION. Sec. 3.** A new section is added to chapter 66.04 RCW to read as follows:

The following definitions apply throughout this title unless the context clearly requires otherwise.

(1) "Authorized representative" includes a person who satisfies RCW 66.04.010(2) (a) and (b) and who acquires ownership of spirits for transportation into and resale in the state of Washington, and which spirits are produced by a distiller in the United States outside of the state of Washington, and who is appointed by the distiller as its authorized representative for marketing and selling its products within the United States in accordance with a

written agreement between the authorized representative and such distiller pursuant to this title.

(2) "Spirits distributor" means a person who buys spirits from a domestic distiller, spirits certificate of approval holder, or spirits importer, or who acquires foreign produced spirits from a source outside of the United States, for the purpose of selling the same not in violation of this title, or who represents such distiller as agent.

(3) "Spirits importer" means a person who buys distilled spirits from a distiller outside the state of Washington and imports such spirits into the state for sale or for export.

(4) "Store" includes any liquor store licensed under this title.

**Sec. 4.** RCW 66.08.020 and 1933 ex.s. c 62 s 5 are each amended to read as follows:

The administration of this title ~~((including the general control, management and supervision of all liquor stores.))~~ shall be vested in the liquor control board, constituted under this title.

**NEW SECTION. Sec. 5.** A new section is added to chapter 66.08 RCW to read as follows:

Administrative expenses of the board shall be appropriated and paid from the liquor revolving fund. These administrative expenses include, but are not limited to: The salaries and expenses of the board and its employees, legal services, pilot projects, annual or other audits, and other general costs of conducting the business of the board. All expenditures and payment of obligations authorized by this section are subject to the allotment requirements of chapter 43.88 RCW.

**NEW SECTION. Sec. 6.** A new section is added to chapter 66.08 RCW to read as follows:

The board has the power to make regulations, in accordance with the provisions of the administrative procedure act, chapter 34.05 RCW, to implement this title. Because the board will no longer be selling liquor, regulations adopted by the board must be to enforce the licensing requirements of this title, the collection of tax on liquor, the prevention of underage drinking of liquor and alcohol abuse, and managing the board and its employees.

**NEW SECTION. Sec. 7.** A new section is added to chapter 66.08 RCW to read as follows:

The board, subject to the provisions of this title and the rules, shall:

(1) Execute, or cause to be executed, all contracts, papers, and documents in the name of the board, under such regulations as the board may fix;

(2) Require bonds from all employees in the discretion of the board and to determine the amount of fidelity bond of each such employee;

(3) Perform service for the state lottery commission to such extent and for such compensation, as may be mutually agreed upon between the board and the commission;

(4) Accept and deposit into the general fund-local account and disperse, subject to appropriation, federal grants or other funds or donations from any source for the purpose of improving public awareness of the health risks associated with alcohol consumption by youth and the abuse of alcohol by adults in Washington. The alcohol awareness program shall cooperate with federal and state agencies, interested

organizations, and individuals to promote alcohol awareness;

(5) Perform all other matters and things to carry out the provisions of this title, and shall have full power to do every act necessary to the conduct of its business. However, the board shall have no authority to regulate the content of spoken language on licensed premises where wine and other liquors are served and where there is not a clear and present danger of disorderly conduct being provoked by such language.

**Sec. 8.** RCW 66.08.060 and 2005 c 231 s 3 are each amended to read as follows:

(1) The board shall not advertise liquor in any form or through any medium whatsoever.

(2) ~~(In-store liquor merchandising is not advertising for the purposes of this section.~~

~~(3))~~ The board shall have power to adopt any and all reasonable rules as to the kind, character, and location of advertising of liquor solely for the purpose of and that have a demonstrable effect of reducing underage or abusive consumption.

**NEW SECTION. Sec. 9.** A new section is added to chapter 66.08 RCW to read as follows:

Fees from the issuance of licenses to sell spirits under sections 14, 16 and 17 of this act may be expended only for purposes of the administration and enforcement of liquor licenses and reducing underage or abusive consumption.

**NEW SECTION. Sec. 10.** A new section is added to chapter 66.12 RCW to read as follows:

(1) A person twenty-one years of age or over may bring into the state from without the state, free of tax, for his or her own personal or household use such alcoholic beverages as have been declared and permitted to enter the United States duty free under federal law.

(2) Such entry of alcoholic beverages in excess of two liters of spirits or wine or two hundred eighty-eight ounces of beer per calendar month shall be taxed as would be applicable to the purchase of the same or similar liquor within the state.

**NEW SECTION. Sec. 11.** A new section is added to chapter 66.20 RCW to read as follows:

Any licensee to sell spirits under this title must post in conspicuous places in a number to be determined by the board, within each store that sells spirits, notices in print no less than one inch high warning persons that consumption of alcohol shortly before conception or during pregnancy may cause birth defects, including fetal alcohol syndrome and fetal alcohol effects.

**Sec. 12.** RCW 66.20.010 and 2008 c 181 s 602 are each amended to read as follows:

Upon application in the prescribed form being made to any employee authorized by the board to issue permits, accompanied by payment of the prescribed fee, and upon the employee being satisfied that the applicant should be granted a permit under this title, the employee shall issue to the applicant under such regulations and at such fee as may be prescribed by the board a permit of the class applied for, as follows:

(1) Where the application is for a special permit by a physician or dentist, or by any person in charge of an institution regularly conducted as a hospital or sanatorium

for the care of persons in ill health, or as a home devoted exclusively to the care of aged people, a special liquor purchase permit, except that the governor may waive the requirement for a special liquor purchase permit under this subsection pursuant to an order issued under RCW 43.06.220(2);

(2) Where the application is for a special permit by a person engaged within the state in mechanical or manufacturing business or in scientific pursuits requiring alcohol for use therein, or by any private individual, a special permit to purchase alcohol for the purpose named in the permit, except that the governor may waive the requirement for a special liquor purchase permit under this subsection pursuant to an order issued under RCW 43.06.220(2);

(3) Where the application is for a special permit to consume liquor at a banquet, at a specified date and place, a special permit to purchase liquor for consumption at such banquet, to such applicants as may be fixed by the board;

(4) Where the application is for a special permit to consume liquor on the premises of a business not licensed under this title, a special permit to purchase liquor for consumption thereon for such periods of time and to such applicants as may be fixed by the board;

(5) Where the application is for a special permit by a manufacturer to import or purchase within the state alcohol, malt, and other materials containing alcohol to be used in the manufacture of liquor, or other products, a special permit;

(6) Where the application is for a special permit by a person operating a drug store to purchase liquor at retail prices only, to be thereafter sold by such person on the prescription of a physician, a special liquor purchase permit, except that the governor may waive the requirement for a special liquor purchase permit under this subsection pursuant to an order issued under RCW 43.06.220(2);

(7) Where the application is for a special permit by an authorized representative of a military installation operated by or for any of the armed forces within the geographical boundaries of the state of Washington, a special permit to purchase liquor for use on such military installation at prices to be fixed by the board;

(8) Where the application is for a special permit by a manufacturer, importer, or distributor, or representative thereof, to serve liquor without charge to delegates and guests at a convention of a trade association composed of licensees of the board, when the said liquor is served in a hospitality room or from a booth in a board-approved suppliers' display room at the convention, and when the liquor so served is for consumption in the said hospitality room or display room during the convention, anything in Title 66 RCW to the contrary notwithstanding. Any such ~~(spirited)~~ liquor shall be purchased from any licensee authorized by the board ~~(or a spirits, beer, and wine restaurant licensee)~~ to sell liquor and any such ~~(beer and wine)~~ liquor shall be subject to the taxes imposed by RCW 66.24.290 and 66.24.210;

(9) Where the application is for a special permit by a manufacturer, importer, or distributor, or representative thereof, to donate liquor for a reception, breakfast, luncheon, or dinner for delegates and guests at a convention of a trade association composed of licensees of the board, when the

liquor so donated is for consumption at the said reception, breakfast, luncheon, or dinner during the convention, anything in Title 66 RCW to the contrary notwithstanding. Any such ~~((spirited))~~ liquor shall be purchased from any licensee authorized by the board ~~((or a spirits, beer, and wine restaurant licensee))~~ to sell liquor and any such ~~((beer or wine))~~ liquor shall be subject to the taxes imposed by RCW 66.24.290 and 66.24.210;

(10) Where the application is for a special permit by a manufacturer, importer, or distributor, or representative thereof, to donate and/or serve liquor without charge to delegates and guests at an international trade fair, show, or exposition held under the auspices of a federal, state, or local governmental entity or organized and promoted by a nonprofit organization, anything in Title 66 RCW to the contrary notwithstanding. Any such ~~((spirited))~~ liquor shall be purchased from any licensee authorized by the board to sell liquor and any such ~~((beer or wine))~~ liquor shall be subject to the taxes imposed by RCW 66.24.290 and 66.24.210;

(11) Where the application is for an annual special permit by a person operating a bed and breakfast lodging facility to donate or serve wine or beer without charge to overnight guests of the facility if the wine or beer is for consumption on the premises of the facility. "Bed and breakfast lodging facility," as used in this subsection, means a facility offering from one to eight lodging units and breakfast to travelers and guests.

**Sec. 13.** RCW 66.20.160 and 2005 c 151 s 8 are each amended to read as follows:

Words and phrases as used in RCW 66.20.160 ~~((to))~~ through 66.20.210, inclusive, ~~((shall))~~ have the following meaning:

~~(("Card of identification" means any one of those cards described in RCW 66.16.040.))~~

(1) "Licensee" means the holder of a retail liquor license issued by the board, and includes any employee or agent of the licensee.

(2) "Store employee" means a person employed in a ~~((state liquor))~~ store to sell liquor.

**NEW SECTION. Sec. 14.** A new section is added to chapter 66.24 RCW to read as follows:

(1) Beginning June 1, 2011, there shall be a general liquor retailer's license to sell spirits, beer, and wine at retail in original containers, not to be consumed on the premises where sold.

(2) The annual fee for the general liquor retailer's license is one thousand dollars.

(3) There shall be a one-time application fee for the general liquor retailer's license of one thousand dollars to be submitted with the application for the license and to be refunded if the application is not granted.

(4) Beginning June 1, 2011, there shall be a general liquor distributor's license to have the privileges of a beer distributor's license and a wine distributor's license and to sell spirits, purchased from licensed Washington distilleries, spirits certificate of approval holders, licensed spirits importers, or suppliers of foreign spirits located outside of the United States, to eligible licensed retailers and other licensed distributors and to export the same from the state. The fee is two thousand dollars per year for each distributing

unit.

(5) There shall be a one-time application fee for the general liquor distributor's license of two thousand dollars to be submitted with the application for the license and to be refunded if the application is not granted.

**NEW SECTION. Sec. 15.** A new section is added to chapter 66.24 RCW to read as follows:

(1) Any licensed distillery may also act as a distributor and/or retailer for spirits of its own production without further application or fee. Any distillery operating as a distributor and/or retailer under this subsection shall comply with the applicable laws and rules relating to distributors and/or retailers.

(2) Any licensed distillery may contract distill spirits for, and sell contract distilled spirits to, holders of distillers' or manufacturers' license, including license issued under RCW 66.24.520, or for export.

(3) Any licensed distillery may provide, free of charge, one-half ounce or less samples of spirits of its own production to persons on the premises of the distillery. The maximum total per person per day is two ounces. Every person who participates in any manner in the services of samples must obtain a class 12 alcohol server permit.

(4) The board shall adopt rules to implement the alcohol server permit requirement and may adopt additional rules to implement this section.

(5) Distilling is an agricultural practice.

**NEW SECTION. Sec. 16.** A new section is added to chapter 66.24 RCW to read as follows:

There shall be a license for spirits distributors to sell spirits, purchased from licensed Washington distilleries, spirits certificate of approval holders, licensed spirits importers, or suppliers of foreign spirits located outside of the United States, to licensed spirits retailers and other spirits distributors and to export the same from the state of Washington with a fee of one thousand dollars per year for each distributing unit.

**NEW SECTION. Sec. 17.** A new section is added to chapter 66.24 RCW to read as follows:

There shall be a license for spirits importers that authorizes the licensee to import spirits purchased from certificate of approval holders into the state of Washington. The licensee may also import from suppliers located outside of the United States spirits manufactured outside the United States.

(1) Spirits importers licensed under this section may sell spirits to licensed spirits distributors or licensed spirits retailers, or export spirits from the state.

(2) Every person, firm, or corporation licensed as a spirits importer shall establish and maintain a principal office within the state at which shall be kept proper records of all spirits imported into the state under this license.

(3) No spirits importer's license shall be granted to a nonresident of the state or to a corporation whose principal place of business is outside the state until such applicant has established a principal office and agent within the state upon which service can be made.

(4) As a requirement for license approval, a spirits importer shall enter into a written agreement with the board to furnish on or before the twentieth day of each month a report under oath, detailing the quantity of spirits sold or delivered to

each licensed spirits distributor. Failure to file such reports may result in the suspension or cancellation of this license.

(5) Spirits imported under this license must conform to the provisions of RCW 66.28.100 and have received label approval from the board. The board shall not certify spirits labeled with names that may be confused with other nonalcoholic beverages whether manufactured or produced from a domestic distiller or imported nor spirits that fail to meet quality standards established by the board.

(6) The license fee shall be one hundred sixty dollars per year.

**NEW SECTION. Sec. 18.** A new section is added to chapter 66.24 RCW to read as follows:

(1) Every person, firm, or corporation holding a license to manufacture spirits within the state of Washington shall, on or before the twentieth day of each month, furnish to the board, on a form to be prescribed by the board, a statement showing the quantity of spirits sold for resale during the preceding calendar month to each spirits distributor within the state of Washington.

(2)(a) A United States distiller or manufacturer of spirits, located outside the state of Washington, must hold a certificate of approval to allow sales and shipment of the certificate of approval holder's spirits to licensed Washington spirits distributors, importers, or retailers. A certificate of approval holder with a direct shipment endorsement may act as a distributor for spirits of its own production.

(b) Authorized representatives must hold a certificate of approval to allow sales and shipment of United States produced spirits to licensed Washington spirits distributors or importers.

(c) Authorized representatives must also hold a certificate of approval to allow sales and shipments of foreign produced spirits to licensed Washington spirits distributors or importers.

(3) The certificate of approval shall not be granted unless and until such distiller or manufacturer of spirits or authorized representative shall have made a written agreement with the board to furnish to the board, on or before the twentieth day of each month, a report under oath, on a form to be prescribed by the board, showing the quantity of spirits sold or delivered to each licensed spirits distributor, importer, or retailer during the preceding month, and shall further have agreed with the board that such distiller of spirits or authorized representative and all general sales corporations or agencies maintained by them, and all of their trade representatives, corporations, and agencies, shall and will faithfully comply with all laws of the state of Washington pertaining to the sale of intoxicating liquors and all rules and regulations of the board. A violation of the terms of this agreement will cause the board to take action to suspend or revoke such certificate.

(4) The fee for the certificate of approval and related endorsements, issued pursuant to the provisions of this title, shall be from time to time established by the board at a level that is sufficient to defray the costs of administering the certificate of approval program. The fee shall be fixed by rule by the board in accordance with the provisions of the administrative procedure act, chapter 34.05 RCW.

(5) Certificate of approval holders are deemed to have consented to the jurisdiction of Washington concerning

enforcement of this chapter and all laws and rules related to the sale and shipment of spirits.

**Sec. 19.** RCW 66.24.310 and 1997 c 321 s 17 are each amended to read as follows:

(1) No person shall canvass for, solicit, receive, or take orders for the purchase or sale of liquor, nor contact any licensees of the board in goodwill activities, unless such person shall be the accredited representative of a person, firm, or corporation holding a certificate of approval issued pursuant to RCW 66.24.270 ~~((or)), 66.24.206, or section 18 of this act,~~ a beer distributor's license, a microbrewer's license, a domestic brewer's license, a beer importer's license, a domestic winery license, a wine importer's license, a wine distributor's license, a spirits distributor's license, a distiller's license, or a ((wine distributor's)) spirits importer's license within the state of Washington, or the accredited representative of a distiller, manufacturer, importer, or distributor of ~~((spirituous liquor))~~ spirits, or foreign produced beer or wine, and shall have applied for and received a representative's license ~~((: PROVIDED, HOWEVER, That)).~~ However, the provisions of this section shall not apply to drivers who deliver beer ~~((or)), wine, or spirits;~~

(2) Every representative's license issued under this title shall be subject to all conditions and restrictions imposed by this title or by the rules and regulations of the board; the board, for the purpose of maintaining an orderly market, may limit the number of representative's licenses issued for representation of specific classes of eligible employers;

(3) Every application for a representative's license must be approved by a holder of a certificate of approval issued pursuant to RCW 66.24.270 ~~((or)), 66.24.206, or section 18 of this act,~~ a licensed beer distributor, a licensed domestic brewer, a licensed beer importer, a licensed microbrewer, a licensed domestic winery, a licensed wine importer, a licensed wine distributor, or by a distiller, manufacturer, importer, or distributor of ~~((spirituous liquor))~~ spirits, or foreign produced beer ~~((or)), wine, or spirits,~~ as the rules and regulations of the board shall require;

(4) The fee for a representative's license shall be twenty-five dollars per year ~~(;~~

~~—(5) An accredited representative of a distiller, manufacturer, importer, or distributor of spirituous liquor may, after he or she has applied for and received a representative's license, contact retail licensees of the board only in goodwill activities pertaining to spirituous liquor products).~~

**Sec. 20.** RCW 66.24.380 and 2005 c 151 s 10 are each amended to read as follows:

There shall be a retailer's license to be designated as a special occasion license to be issued to a not-for-profit society or organization to sell spirits, beer, and wine by the individual serving for on-premises consumption at a specified event, such as at picnics or other special occasions, at a specified date and place; fee sixty dollars per day.

(1) The not-for-profit society or organization is limited to sales of no more than twelve calendar days per year. For the purposes of this subsection, special occasion licensees that are "agricultural area fairs" or "agricultural county, district, and area fairs," as defined by RCW 15.76.120, that receive a special occasion license may, once per calendar year, count as one event fairs that last multiple days, so long as alcohol sales are at set dates, times, and locations, and the board

receives prior notification of the dates, times, and locations. The special occasion license applicant will pay the sixty dollars per day for this event.

(2) The licensee may sell beer and/or wine in original, unopened containers for off-premises consumption if permission is obtained from the board prior to the event.

(3) Sale, service, and consumption of spirits, beer, and wine is to be confined to specified premises or designated areas only.

(4) ~~((Spiritous liquor))~~ Spirits sold under this special occasion license must be purchased at a state liquor store or contract liquor store ~~((without discount))~~ or store licensed by the board at retail prices, including all taxes.

(5) Any violation of this section is a class 1 civil infraction having a maximum penalty of two hundred fifty dollars as provided for in chapter 7.80 RCW.

**Sec. 21.** RCW 66.24.540 and 1999 c 129 s 1 are each amended to read as follows:

There shall be a retailer's license to be designated as a motel license. The motel license may be issued to a motel regardless of whether it holds any other class of license under this title. No license may be issued to a motel offering rooms to its guests on an hourly basis. The license authorizes the licensee to:

(1) Sell, at retail, in locked honor bars, spirits in individual bottles not to exceed fifty milliliters, beer in individual cans or bottles not to exceed twelve ounces, and wine in individual bottles not to exceed one hundred eighty-seven milliliters, to registered guests of the motel for consumption in guest rooms.

(a) Each honor bar must also contain snack foods. No more than one-half of the guest rooms may have honor bars.

(b) All spirits to be sold under the license must be purchased from the board or from licensees authorized by the board to sell spirits.

(c) The licensee shall require proof of age from the guest renting a guest room and requesting the use of an honor bar. The guest shall also execute an affidavit verifying that no one under twenty-one years of age shall have access to the spirits, beer, and wine in the honor bar.

(2) Provide without additional charge, to overnight guests of the motel, beer and wine by the individual serving for on-premises consumption at a specified regular date, time, and place as may be fixed by the board. Self-service by attendees is prohibited. All beer and wine service must be done by an alcohol server as defined in RCW 66.20.300 and comply with RCW 66.20.310.

The annual fee for a motel license is five hundred dollars. "Motel" as used in this section means a transient accommodation licensed under chapter 70.62 RCW.

As used in this section, "spirits," "beer," and "wine" have the meanings defined in RCW 66.04.010.

**Sec. 22.** RCW 66.24.590 and 2008 c 41 s 11 are each amended to read as follows:

(1) There shall be a retailer's license to be designated as a hotel license. No license may be issued to a hotel offering rooms to its guests on an hourly basis. Food service provided for room service, banquets or conferences, or restaurant operation under this license shall meet the requirements of rules adopted by the board.

(2) The hotel license authorizes the licensee to:

(a) Sell ~~((spiritous liquor))~~ spirits, beer, and wine, by the individual glass, at retail, for consumption on the premises, including mixed drinks and cocktails compounded and mixed on the premises;

(b) Sell, at retail, from locked honor bars, in individual units, spirits not to exceed fifty milliliters, beer in individual units not to exceed twelve ounces, and wine in individual bottles not to exceed three hundred eighty-five milliliters, to registered guests of the hotel for consumption in guest rooms. The licensee shall require proof of age from the guest renting a guest room and requesting the use of an honor bar. The guest shall also execute an affidavit verifying that no one under twenty-one years of age shall have access to the spirits, beer, and wine in the honor bar;

(c) Provide without additional charge, to overnight guests, spirits, beer, and wine by the individual serving for on-premises consumption at a specified regular date, time, and place as may be fixed by the board. Self-service by attendees is prohibited;

(d) Sell beer, including strong beer, wine, or spirits, in the manufacturer's sealed container or by the individual drink to guests through room service, or through service to occupants of private residential units which are part of the buildings or complex of buildings that include the hotel;

(e) Sell beer, including strong beer, or wine, in the manufacturer's sealed container at retail sales locations within the hotel premises;

(f) Sell for on or off-premises consumption, including through room service and service to occupants of private residential units managed by the hotel, wine carrying a label exclusive to the hotel license holder;

(g) Place in guest rooms at check-in, a complimentary bottle of spirits, beer, including strong beer, or wine in a manufacturer-sealed container, and make a reference to this service in promotional material.

(3) If all or any facilities for alcoholic beverage service and the preparation, cooking, and serving of food are operated under contract or joint venture agreement, the operator may hold a license separate from the license held by the operator of the hotel. Food and beverage inventory used in separate licensed operations at the hotel may not be shared and shall be separately owned and stored by the separate licensees.

(4) All spirits to be sold under this license must be purchased from licensees authorized by the board to sell spirits.

(5) All on-premise alcoholic beverage service must be done by an alcohol server as defined in RCW 66.20.300 and must comply with RCW 66.20.310.

(6)(a) The hotel license allows the licensee to remove from the liquor stocks at the licensed premises, liquor for sale and service at event locations at a specified date and place not currently licensed by the board. If the event is open to the public, it must be sponsored by a society or organization as defined by RCW 66.24.375. If attendance at the event is limited to members or invited guests of the sponsoring individual, society, or organization, the requirement that the sponsor must be a society or organization as defined by RCW 66.24.375 is waived.

(b) The holder of this license shall, if requested by the board, notify the board or its designee of the date, time,

place, and location of any event. Upon request, the licensee shall provide to the board all necessary or requested information concerning the society or organization that will be holding the function at which the endorsed license will be utilized.

(c) Licensees may cater events on a domestic ~~((winery))~~ liquor manufacturer premises.

(7) The holder of this license or its manager may furnish spirits, beer, or wine to the licensee's employees who are twenty-one years of age or older free of charge as may be required for use in connection with instruction on spirits, beer, and wine. The instruction may include the history, nature, values, and characteristics of spirits, beer, or wine, the use of wine lists, and the methods of presenting, serving, storing, and handling spirits, beer, or wine. The licensee must use the beer or wine it obtains under its license for the sampling as part of the instruction. The instruction must be given on the premises of the licensee.

(8) Minors may be allowed in all areas of the hotel where alcohol may be consumed; however, the consumption must be incidental to the primary use of the area. These areas include, but are not limited to, tennis courts, hotel lobbies, and swimming pool areas. If an area is not a mixed use area, and is primarily used for alcohol service, the area must be designated and restricted to access by minors.

(9) The annual fee for this license is two thousand dollars.

(10) As used in this section, "hotel," "spirits," "beer," and "wine" have the meanings defined in RCW 66.24.410 and 66.04.010.

**Sec. 23.** RCW 66.28.040 and 2009 c 373 s 8 are each amended to read as follows:

Except as permitted by the board under RCW 66.20.010, no domestic brewery, microbrewery, distributor, distiller, domestic winery, importer, rectifier, certificate of approval holder, or other manufacturer of liquor shall, within the state of Washington, give to any person any liquor; but nothing in this section ~~((nor in RCW 66.28.040))~~ shall prevent a domestic brewery, microbrewery, distributor, domestic winery, distiller, certificate of approval holder, or importer from furnishing samples of beer, wine, or ~~((spirituous liquor))~~ spirits to authorized licensees for the purpose of negotiating a sale, in accordance with regulations adopted by the liquor control board, provided that the samples are subject to taxes imposed by RCW 66.24.290 and 66.24.210 ~~((, and in the case of spirituous liquor, any product used for samples must be purchased at retail from the board; nothing in this section shall prevent the furnishing of samples of liquor to the board for the purpose of negotiating the sale of liquor to the state liquor control board))~~; nothing in this section shall prevent a domestic brewery, microbrewery, domestic winery, distillery, certificate of approval holder, or distributor from furnishing beer, wine, or ~~((spirituous liquor))~~ spirits for instructional purposes under RCW 66.28.150; nothing in this section shall prevent a domestic winery, certificate of approval holder, or distributor from furnishing wine without charge, subject to the taxes imposed by RCW 66.24.210, to a not-for-profit group organized and operated solely for the purpose of enology or the study of viticulture which has been in existence for at least six months and that uses wine so furnished solely for such educational purposes or a domestic winery, or an out-of-state certificate of approval holder, from

furnishing wine without charge or a domestic brewery, or an out-of-state certificate of approval holder, from furnishing beer without charge, subject to the taxes imposed by RCW 66.24.210 or 66.24.290, or a domestic distiller licensed under RCW 66.24.140 or an accredited representative of a distiller, manufacturer, importer, or distributor of ~~((spirituous liquor))~~ spirits licensed under RCW 66.24.310, from furnishing spirits without charge, to a nonprofit charitable corporation or association exempt from taxation under section 501(c)(3) or (6) of the internal revenue code of 1986 (26 U.S.C. Sec. 501(c)(3) or (6)) for use consistent with the purpose or purposes entitling it to such exemption; nothing in this section shall prevent a domestic brewery or microbrewery from serving beer without charge, on the brewery premises; nothing in this section shall prevent donations of wine for the purposes of RCW 66.12.180; nothing in this section shall prevent a domestic winery from serving wine without charge, on the winery premises; and nothing in this section shall prevent a distillery from serving spirits without charge, on the distillery premises subject to ~~((RCW 66.24.145))~~ section 15 of this act.

**Sec. 24.** RCW 66.28.060 and 2008 c 94 s 7 are each amended to read as follows:

Every distillery licensed under this title shall make monthly reports to the board pursuant to the regulations. No such distillery shall make any sale of spirits within the state of Washington except ~~((to the board and as provided in RCW 66.24.145))~~ as provided in this title.

**Sec. 25.** RCW 66.28.280 and 2009 c 506 s 1 are each amended to read as follows:

~~((The legislature recognizes that Washington's current three tier system, where the functions of manufacturing, distributing, and retailing are distinct and the financial relationships and business transactions between entities in these tiers are regulated, is a valuable system for the distribution of beer and wine. The legislature further recognizes that))~~ The historical total prohibition on ownership of an interest in one tier by a person with an ownership interest in another tier, as well as the historical restriction on financial incentives and business relationships between tiers, is unduly restrictive. ~~((The legislature finds the modifications contained in chapter 506, Laws of 2009 are appropriate, because the modifications do))~~ people find that liquor regulations should not impermissibly interfere with the goals of orderly marketing of alcohol in the state, encouraging moderation in consumption of alcohol by the citizens of the state, protecting the public interest and advancing public safety by preventing the use and consumption of alcohol by minors and other abusive consumption, and promoting the efficient collection of taxes by the state.

**NEW SECTION. Sec. 26.** A new section is added to chapter 66.28 RCW to read as follows:

(1) Licensees may not sell spirits below the cost of acquisition or production of such spirits, except in the case of a "close-out" item, if the item to be discontinued has been in inventory for a period of at least six months, and upon the further condition that the licensee who offers such a close-out price shall not restock the item for a period of one year following the first effective date of such close-out price.

(2) No licensed manufacturer, producer, supplier, importer, wholesaler, distributor, authorized representative, certificate

of approval holder, warehouse, or any of its affiliates, subsidiaries, officers, directors, partners, agents, employees, and representatives shall provide and no retailer shall receive branded promotional items which are targeted to or appeal principally to youth. Such items include but are not limited to: Trays, lighters, blotters, postcards, pencils, coasters, menu cards, meal checks, napkins, clocks, mugs, glasses, bottles or can openers, corkscrews, matches, printed recipes, shirts, hats, visors, and other similar items.

**NEW SECTION. Sec. 27.** A new section is added to chapter 66.32 RCW to read as follows:

Except as permitted by the board, no liquor shall be kept or had by any person within this state unless the package in which the liquor was contained had, while containing that liquor, been sealed with the official seal adopted by the board, except (1) liquor manufactured in the state for export, (2) beer, purchased in accordance with the provisions of law, or (3) wine or beer exempted in RCW 66.12.010.

**Sec. 28.** RCW 66.44.150 and 1955 c 289 s 5 are each amended to read as follows:

If any person in this state buys alcoholic beverages from any person other than the board, a state liquor store, or ~~((some person))~~ a licensee authorized by the board to sell them, he ~~((shall be))~~ or she is guilty of a misdemeanor.

**Sec. 29.** RCW 66.44.160 and 1955 c 289 s 6 are each amended to read as follows:

Except as otherwise provided in this title, any person who has or keeps or transports alcoholic beverages other than those purchased from the board, a state liquor store, or ~~((some person))~~ a licensee authorized by the board to sell them ~~((, shall be))~~ is guilty of a violation of this title.

**NEW SECTION. Sec. 30.** A new section is added to chapter 66.44 RCW to read as follows:

Employees between the ages of eighteen and twenty-one of licensees may stock, merchandise, and handle spirits under the same conditions for handling beer or wine under RCW 66.44.318 and 66.44.340.

**NEW SECTION. Sec. 31.** A new section is added to chapter 66.44 RCW to read as follows:

Nothing in this act is intended to restrict the authority of cities and counties to enact or enforce land use regulations governing where liquor may be sold.

**NEW SECTION. Sec. 32.** A new section is added to chapter 66.44 RCW to read as follows:

(1) Within ninety days of the effective date of this section, the board shall have formulated a plan and begun implementing such plan to terminate the system of state liquor stores and liquor distribution and dispose of assets no longer useful to the board's mission under the terms of this act.

(2) State liquor stores may not sell liquor after December 31, 2011. The state liquor distribution unit may not purchase, or accept for bailment, any liquor after December 31, 2011. Any inventory of unsold liquor which remains after this date shall be returned to the supplier or sold at auction.

(3)(a) As of the effective date of this section, any licensee in good standing who has a beer and/or wine grocery store license or a beer and/or wine specialty store license, and are not restricted from selling strong beer or fortified wine,

beginning June 1, 2011, shall be granted an upgrade of their license to a general liquor retail license, to include the sale of spirits, valid until the next renewal date for the existing license upon paying the one-time application fee of one thousand dollars.

(b) As of the effective date of this section, licensees in good standing who have an existing license to distribute liquor as of January 1, 2011, shall be granted a general liquor distributor's license, to include the distribution of spirits, valid until the next renewal date for the existing license upon paying the one-time application fee of two thousand dollars.

(c) As of the effective date of this section, any supplier of spirits to the board and their authorized representatives who meet the other qualifications for a certificate of approval under section 18 of this act as of January 1, 2011, shall be granted a certificate of approval upon payment of a two hundred dollar fee.

(4) As of the effective date of this section, the board shall not renew or extend contracts with existing contract liquor store operators and shall use all lawful means for terminating existing contracts with existing contract liquor store operators. In exchange for relinquishing any rights under contracts to sell liquor, contract liquor store operators in good standing may choose to receive a general liquor retailer's license valid through December 31, 2012, without payment of any fee, and shall be exempt from the application fee upon renewal. The board shall notify existing contract liquor store operators of the choice available under this subsection within thirty days of the effective date of this section and any choice to receive a general liquor retailer's license under this subsection must be made within ninety days of the effective date of this section.

**NEW SECTION. Sec. 33.** A new section is added to chapter 82.08 RCW to read as follows:

There is levied and collected a tax upon each sale of spirits in the original package at the rate of ten percent of the selling price on sales by spirits retailer and distributor licensees to spirits, beer, and wine restaurant licensees.

**Sec. 34.** RCW 82.08.160 and 1982 1st ex.s. c 35 s 4 are each amended to read as follows:

On or before the twenty-fifth day of each month, all taxes collected under RCW 82.08.150 and section 33 of this act during the preceding month ~~((shall))~~ must be remitted to the ~~((state))~~ department ~~((of revenue))~~, to be deposited with the state treasurer. Upon receipt of such moneys the state treasurer ~~((shall))~~ must credit sixty-five percent of the sums collected and remitted under RCW 82.08.150 (1) and (2) and section 33 of this act and one hundred percent of the sums collected and remitted under RCW 82.08.150 (3) and (4) to the state general fund and thirty-five percent of the sums collected and remitted under RCW 82.08.150 (1) and (2) and section 33 of this act to a fund which is hereby created to be known as the "liquor excise tax fund."

**NEW SECTION. Sec. 35.** The following acts or parts of acts are each repealed:

(1) RCW 66.24.145 (Craft distillery--Sales and samples of spirits) and 2010 c 290 s 2 & 2008 c 94 s 2; and

(2) RCW 66.32.010 (Possession of contraband liquor) and 1955 c 39 s 3.

(3) RCW 66.28.010 (Manufacturers, importers, distributors,

and authorized representatives barred from interest in retail business or location--Advances prohibited--"Financial interest" defined--Exceptions) and 2009 c 373 s 5 & 2008 c 94 s 5;

(4) RCW 66.28.170 (Wine or malt beverage manufacturers--Discrimination in price to purchaser for resale prohibited) and 2004 c 160 s 17, 1997 c 321 s 50, & 1985 c 226 s 3;

(5) RCW 66.28.180 (Price list--Contents--Contracts and memoranda with distributors) and 2009 c 506 s 10, 2006 c 302 s 10, & 2005 c 274 s 327;

(6) RCW 66.28.285 (Three-tier system--Definitions) and 2009 c 506 s 2;

(7) RCW 66.28.290 (Three-tier system--Direct or indirect interests between industry members, affiliates, and retailers) and 2009 c 506 s 3;

(8) RCW 66.28.295 (Three-tier system--Direct or indirect interests--Allowed activities) and 2009 c 506 s 4;

(9) RCW 66.28.300 (Three-tier system--Undue influence--Determination by board) and 2009 c 506 s 5;

(11) RCW 66.28.305 (Three-tier system--Money advances--Prohibition) and 2009 c 506 s 6;

(12) RCW 66.28.310 (Three-tier system--Promotional items) and 2010 c 290 s 3, 2010 c 141 s 2, & 2009 c 506 s 7;

(13) RCW 66.28.315 (Three-tier system--Recordkeeping) and 2009 c 506 s 8;

(14) RCW 66.28.320 (Three-tier system--Rule adoption) and 2009 c 506 s 9; and

(15) RCW 66.32.010 (Possession of contraband liquor) and 1955 c 39 s 3.

**NEW SECTION. Sec. 36.** The following acts or parts of acts are each repealed:

(1) RCW 66.12.110 (Duty-free alcoholic beverages for personal use) and 1999 c 281 s 3 & 1975-'76 2nd ex.s. c 20 s 1; and

(2) RCW 66.12.120 (Bringing alcoholic beverages into state from another state--Payment of markup and tax) and 1995 c 100 s 1 & 1975 1st ex.s. c 173 s 3;

**NEW SECTION. Sec. 37.** The following acts or parts of acts are each repealed:

(1) RCW 66.08.026 (Appropriation and payment of administrative expenses from liquor revolving fund--"Administrative expenses" defined) and 2008 c 67 s 1, 2005 c 151 s 2, 2004 c 63 s 1, 2001 c 313 s 1, 1998 c 265 s 2, 1997 c 148 s 1, 1996 c 291 s 3, 1983 c 160 s 2, 1963 c 239 s 1, & 1961 ex.s. c 6 s 4;

(2) RCW 66.08.030 (Regulations--Scope) and 2002 c 119 s 2, 1977 ex.s. c 115 s 1, 1971 c 62 s 1, 1943 c 102 s 1, & 1933 ex.s. c 62 s 79;

(3) RCW 66.08.050 (Powers of board in general) and 2005 c 151 s 3, 1997 c 228 s 1, 1993 c 25 s 1, 1986 c 214 s 2, 1983 c 160 s 1, 1975 1st ex.s. c 173 s 1, 1969 ex.s. c 178 s 1, 1963 c 239 s 3, 1935 c 174 s 10, & 1933 ex.s. c 62 s 69;

(4) RCW 66.08.070 (Purchase of liquor by board--Consignment not prohibited--Warranty or affirmation not required for wine or malt purchases) and 1985 c 226 s 2, 1973 1st ex.s. c 209 s 1, & 1933 ex.s. c 62 s 67;

(5) RCW 66.08.075 (Officer, employee not to represent manufacturer, wholesaler in sale to board) and 1937 c 217 s 5;

(6) RCW 66.08.165 (Strategies to improve operational efficiency and revenue) and 2005 c 231 s 1;

(7) RCW 66.08.166 (Sunday sales authorized--Store selection and other requirements) and 2005 c 231 s 2;

(8) RCW 66.08.167 (Sunday sales--Store selection) and 2005 c 231 s 4;

(9) RCW 66.08.220 (Liquor revolving fund--Separate account--Distribution) and 2009 c 271 s 4, 2007 c 370 s 15, 1999 c 281 s 2, & 1949 c 5 s 11;

(10) RCW 66.08.235 (Liquor control board construction and maintenance account) and 2005 c 151 s 4, 2002 c 371 s 918, & 1997 c 75 s 1;

(11) RCW 66.16.010 (Board may establish--Price standards--Prices in special instances) and 2005 c 518 s 935, 2003 1st sp.s. c 25 s 928, 1939 c 172 s 10, 1937 c 62 s 1, & 1933 ex.s. c 62 s 4;

(12) RCW 66.16.040 (Sales of liquor by employees--Identification cards--Permit holders--Sales for cash--Exception) and 2005 c 206 s 1, 2005 c 151 s 5, 2005 c 102 s 1, 2004 c 61 s 1, 1996 c 291 s 1, 1995 c 16 s 1, 1981 1st ex.s. c 5 s 8, 1979 c 158 s 217, 1973 1st ex.s. c 209 s 3, 1971 ex.s. c 15 s 1, 1959 c 111 s 1, & 1933 ex.s. c 62 s 7;

(13) RCW 66.16.041 (Credit and debit card purchases--Rules--Provision, installation, maintenance of equipment by board--Consideration of offsetting liquor revolving fund balance reduction) and 2005 c 151 s 6, 2004 c 63 s 2, 1998 c 265 s 3, 1997 c 148 s 2, & 1996 c 291 s 2;

(14) RCW 66.16.050 (Sale of beer and wine to person licensed to sell) and 1933 ex.s. c 62 s 8;

(15) RCW 66.16.060 (Sealed packages may be required, exception) and 1943 c 216 s 1 & 1933 ex.s. c 62 s 9;

(16) RCW 66.16.070 (Liquor cannot be opened or consumed on store premises) and 1933 ex.s. c 62 s 10;

(17) RCW 66.16.090 (Record of individual purchases confidential--Penalty for disclosure) and 1933 ex.s. c 62 s 89;

(18) RCW 66.16.100 (Fortified wine sales) and 1997 c 321 s 42 & 1987 c 386 s 5;

(19) RCW 66.16.110 (Birth defects from alcohol--Warning required) and 1993 c 422 s 2;

(20) RCW 66.16.120 (Employees working on Sabbath) and 2005 c 231 s 5;

(21) RCW 66.24.440 (Liquor by the drink, spirits, beer, and wine restaurant, spirits, beer, and wine private club, hotel, spirits, beer, and wine nightclub, and sports entertainment facility license--Purchase of liquor by licensees--Discount) and 2009 c 271 s 8, 2007 c 370 s 20, 1998 c 126 s 8, 1997 c 321 s 29, & 1949 c 5 s 5; and

(22) RCW 66.28.045 (Furnishing samples to board--Standards for accountability--Regulations) and 1975 1st ex.s. c 173 s 9;

**NEW SECTION. Sec. 38.** Section 10 and 36 of this act take effect on June 1, 2011.

**NEW SECTION. Sec. 39.** Section 2, 4 through 8 and 37 of this act take effect on December 31, 2011.

**NEW SECTION. Sec. 40.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

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