Initiative Measure No. 1100

FILED
APR 27 2010
SECRETARY OF STATE
STATE OF WASHINGTON

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 and 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 sanitorium 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 ((~~spirituous~~)) liquor shall be purchased from <u>any licensee authorized by</u> the board ((~~or a spirits, beer, and wine restaurant licensee~~)) <u>to sell liquor</u> and any such ((~~beer and wine~~)) <u>liquor</u> 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 ((~~spirituous~~)) 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;

(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 ((~~spirituous~~)) 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 January 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' licenses, including licenses 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) ((~~Spirituous 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 <u>or from licensees authorized by the board to sell spirits</u>.

(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 the board or 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 66.28.010~~)) 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 ((~~craft~~)) 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 as of 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 beyond December 31, 2011, 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.** Sections 10 and 36 of this act take effect June 1, 2011.

NEW SECTION. **Sec. 39.** Sections 2, 4 through 8 and 37 of this act take effect 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.