
ENGROSSED SENATE BILL 5834

AS AMENDED BY THE HOUSE

Passed Legislature - 2017 Regular Session

State of Washington

65th Legislature

2017 Regular Session

By Senator Baumgartner

Read first time 02/16/17. Referred to Committee on Commerce, Labor & Sports.

1 AN ACT Relating to licensing of bonded spirits warehouses;
2 amending RCW 66.24.640; and adding a new section to chapter 66.24
3 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 66.24
6 RCW to read as follows:

7 (1) There shall be a bonded and nonbonded spirits warehouse
8 license for spirits warehouses that authorizes the storage and
9 handling of bonded bulk spirits and, to the extent allowed under
10 federal law and under rules adopted by the board, bottled spirits and
11 the storage of tax-paid spirits not in bond. Under this license a
12 licensee may maintain a warehouse for the storage of federally
13 authorized spirits off the premises of a distillery for distillers
14 qualified under RCW 66.24.140, 66.24.145, or 66.24.150, or entities
15 otherwise licensed and permitted in this state, or bulk spirits
16 transferred in bond from out-of-state distilleries and, to the extent
17 allowed by federal law and under rules adopted by the board, bottled
18 spirits, if the storage of the federally authorized spirits
19 transferred into the state is for storage only and not for processing
20 or bottling in the bonded spirits warehouse. A licensee must
21 designate clearly in its license application to the board the

1 sections of the warehouse that are bonded and nonbonded with a
2 physical separation between such spaces. Only spirits in bond may be
3 stored in the bonded sections of the warehouse and only spirits that
4 have been removed from bond tax-paid may be stored in nonbonded areas
5 of the warehouse. The proprietor of the warehouse must maintain a
6 plan for tracking spirits being stored in the warehouse to ensure
7 compliance with relevant bonding and tax obligations.

8 (2) The board must adopt similar qualifications for a spirits
9 warehouse licensed under this section as required for obtaining a
10 distillery license as specified in RCW 66.24.140, 66.24.145, and
11 66.24.150. A licensee must be a sole proprietor, a partnership, a
12 limited liability company, a corporation, a port authority, a city, a
13 county, or any other public entity or subdivision of the state that
14 elects to license a bonded spirits warehouse as an agricultural or
15 economic development activity. One or more domestic distilleries or
16 manufacturers may operate as a partnership, corporation, business co-
17 op, cotenant, or agricultural co-op for the purpose of obtaining a
18 bonded and nonbonded spirits warehouse license or storing spirits in
19 the facility under a common management and oversight agreement free
20 of charge or for a fee.

21 (3) Spirits in bond may be removed from a bonded spirits
22 warehouse for the purpose of being:

23 (a) Exported from the state;

24 (b) Returned to a distillery or spirits warehouse licensed under
25 this section; or

26 (c) Transferred to a distillery, spirits warehouse licensed under
27 this section, or a licensed bottling or packaging facility.

28 (4) Bottled spirits that are being removed from a spirits
29 warehouse licensed under this section tax-paid may be:

30 (a) Transferred back to the distillery that produced them;

31 (b) Shipped to a licensed Washington spirits distributor;

32 (c) Shipped to a licensed Washington spirits retailer;

33 (d) Exported from the state; or

34 (e) Removed for direct shipping to a consumer pursuant to RCW
35 66.20.410.

36 (5) The ownership and operation of a spirits warehouse facility
37 licensed under this section may be by a person or entity other than
38 those described in this section acting in a commercial warehouse
39 management position under contract for such licensed persons or
40 entities on their behalf.

1 (6) A license applicant must demonstrate the right to have
2 warehoused spirits under a valid federal permit held by a licensee
3 who maintains ownership and title to the spirits while they are in
4 storage in the spirits warehouse licensed under this section. The fee
5 for this license is one hundred dollars per year.

6 (7) The board must adopt rules requiring a spirits warehouse
7 licensed under this section to be physically secure, zoned for the
8 intended use, and physically separated from any other use.

9 (8) The operator or licensee operating a spirits warehouse
10 licensed under this section must submit to the board a monthly report
11 of movement of spirits to and from a warehouse licensed under this
12 section in a form prescribed by the board. The board may adopt other
13 necessary procedures by which such warehouses are licensed and
14 regulated.

15 (9) The board may require a single annual permit valid for a full
16 calendar year issued to each licensee or entity warehousing spirits
17 under this section that allows for unlimited transfers to and from
18 such warehouse within that year. The fee for this permit is one
19 hundred dollars per year.

20 (10) Handling of bottled spirits that have been removed from bond
21 tax-paid and that reside in the spirits warehouse licensed under this
22 section includes packaging and repackaging services; bottle labeling
23 services; creating baskets or variety packs that may or may not
24 include nonspirits products; and picking, packing, and shipping
25 spirits orders on behalf of a licensed distillery direct to consumers
26 in accordance with RCW 66.20.410. A distillery contracting with the
27 operator of a spirits warehouse licensed under this section for
28 handling bottled spirits must comply with all applicable state and
29 federal laws and is responsible for financial transactions in direct
30 to consumer shipping activities.

31 **Sec. 2.** RCW 66.24.640 and 2012 c 2 s 206 are each amended to
32 read as follows:

33 Any distiller licensed under this title may act as a retailer
34 and/or distributor to retailers selling for consumption on or off the
35 licensed premises of spirits of its own production, and any
36 manufacturer, importer, or bottler of spirits holding a certificate
37 of approval may act as a distributor of spirits it is entitled to
38 import into the state under such certificate. The board must by rule
39 provide for issuance of certificates of approval to spirits

1 suppliers. An industry member operating as a distributor and/or
2 retailer under this section must comply with the applicable laws and
3 rules relating to distributors and/or retailers, except that an
4 industry member operating as a distributor under this section may
5 maintain a warehouse off the distillery premises for the distribution
6 of bottled spirits of its own production to spirits retailers within
7 the state and for bottled foreign-made spirits that such distillery
8 is entitled to distribute under this title, if the warehouse is
9 within the United States and has been approved by the board.

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