



Washington State Liquor Control Board



Dear Craft Distillery Licensee:

There are important changes coming to Washington's system of liquor sales and distribution as it pertains to your license. Initiative 1183 modifies RCW 66.24 applying to distillers, allowing several new privileges related to sales of spirits of their own production, distributing, and off-site warehousing.

Impact of the passage of Initiative 1183

As a craft distiller holding a license under RCW 66.24, you may act as a retailer of your own production beginning December 8, 2011. You may sell up to two liters per day of your spirits to each retail customer for off-premises consumption. **Fees must be paid and taxes collected on these sales.**

Beginning December 8, 2011, any **Craft Distillery Operation Licensee Acknowledgment Agreement** a distiller has with the Washington State Liquor Control Board (WSLCB) **is canceled**. The cancellation of the agreement means that craft distillers:

- Are **not** required to purchase their product from the WSLCB.
- Will set their price.
- Will no longer receive commission payments on these sales.

Beginning March 1, 2012, you may also distribute spirits directly to licensed retailers. A licensed retailer includes on-premises spirits retail licensees (examples: restaurant, bars, sports entertainment facility, nightclub, and hotels) and retailers licensed to sell spirits for off-premises consumption (examples: grocery stores and former contract liquor stores). **A fee must be paid and taxes collected on the sales to on-premises spirits licensees. A fee must be paid on sales to retailers licensed to sell spirits for off-premises consumption.**

Fees collected by the Liquor Control Board

When you make sales directly to consumers and/or licensed retailers, you must pay license fees to the Washington State Liquor Control Board as follows:

- Beginning December 8, 2011, when selling directly to retail customers, you must pay both a 10% distributor license fee and a 17% retail spirits license fee on your gross spirits sales. These fees are payable monthly, due the 20th of each month based on the prior month's activity. These fees are calculated on the selling price, exclusive of all state taxes.
- Beginning March 1, 2012, when selling to licensed retailers, you must pay a 10% distributor license fee on your gross spirits sales. The fee is payable monthly, due the 20th of each month based on the prior month's activity. This fee is calculated on the selling price, exclusive of all state taxes.

To file your monthly report and pay any fees due, complete Form LIQ-112 and send a check or money to WSLCB, Attn: Finance, P.O. Box 43085, Olympia, WA 98504-3085. You may access Form LIQ-112 on our website at: <http://www.liq.wa.gov/taxreporting/main>. Please call WSLCB's Beer, Wine, and Distiller's section at 360-664-1721 if you have questions.

December 6, 2011

Liquor taxes collected by Department of Revenue

Effective December 8, 2011, the liquor sales tax and liquor liter taxes must be remitted to the Washington State Department of Revenue, not to the Liquor Control Board. Monthly filers that make liquor sales between December 8–31, 2011 must remit the collected taxes on the return due January 25, 2012. Quarterly and annual filers must remit collected liquor taxes on the return due January 31, 2012.

The liquor tax return addendum to report these taxes will be available as a downloadable paper form on the Department's website at dor.wa.gov, or by calling 1 (800) 647-7706.

The liquor tax rates that apply are as follows:

- Sales of spirits in their original containers to retail customers are subject to the liquor sales tax at the rate of **20.5 percent** of the selling price and the liquor liter tax at the rate of **\$3.7708** per liter.
- Sales of spirits in their original containers to on-premises spirits retail licensees are subject to the liquor sales tax at the rate of **13.7 percent** of the selling price and the liquor liter tax at the rate of **\$2.4408** per liter.

Effective January 1, 2012, all liquor sellers will be required to file monthly. The Department of Revenue will be sending further reporting instructions to craft distillers in December of 2011.

Disclosure of liquor taxes

You may advertise a product selling price that includes the applicable liquor taxes. However, you must separately state the liquor sales tax and the liquor liter tax on **price lists available to your customers**. Otherwise, these taxes will be due on top of your listed selling prices. (RCW 82.08.150)

For more information

Additional information regarding liquor taxes due on sales to licensed retailers will be sent before the March 1, 2012 effective date.

If you have questions regarding the liquor sales tax or the liquor liter tax collected by the Department of Revenue, call Gary Davis at (360) 705-6640.