



Frequently Asked Questions: Licensing

January 6, 2012

Applying for a Liquor License

- Q:** How long will the license application process for new distribution and sales of spirits take?
- A:** Typically, it takes between 60 to 90 days to receive approval for a liquor license application. However, the length it takes for each license is individual and depends on all paperwork being sent in and all approvals met to be approved to do business. Further, our processing time may be influenced by the volume of new applications that are received as a result of Initiative 1183. Processing time may be longer depending on the volume received.
- Q:** Will there be a finite number of licenses available in the state?
- A:** No. However, local authorities, churches, and schools can object to liquor license applications, thus causing a review process and additional approval requirements.

Out of State Supplier of Spirits – COAs

- Q:** What is a Certificate of Approval (COA)?
- A:** A Certificate of Approval (COA) is a license that grants authority for a producer to sell product in Washington. COA's currently exist for beer and wine and through the Board's rule-making process, will be used to allow the holders of a spirits COA to sell spirits.
- Q:** Will importers be required to hold a Certificate of Approval license (COA)?
- A:** Only if the importer is located out-of-state. The principles and rules associated with a Certificate of Approval (COA) apply only to out-of-state liquor suppliers. Only out of state manufactures, importers or suppliers may obtain a COA.
- Q:** Can out-of-state importers sell wine and spirits directly to licensees starting December 8, 2011?
- A:** No, Importers who receive a Certificate of Approval (COA) from the Board may begin to sell directly to licensed distributors beginning March 1, 2012.

Q: How will new liquor product be introduced to the market after December 8, 2011?

A: Once the LCB establishes the new rules for I-1183, producers who have a Certificate of Approval can sell directly to licensees beginning March 1, 2012. Distributors can sell to licensees beginning March 1, 2012, and private retailers can begin selling on June 1, 2012. There will be no official new product introduction process endorsed by the LCB.

In State supplier of Spirits/Distiller/Craft Distiller

Q: Are craft distilleries allowed to sell liquor directly to licensees under I-1183? Is there a limit for retail customers?

A: Yes. There is no limit on the quantity of product that craft distillers may sell to on or off premise licensees. I-1183 did not change or modify the limit requirements on retail sales of consumers by craft distillers. A craft distiller may sell spirits of their own production for consumption off the premises, up to two liters per person per day.

Distribution

Q: Does I-1183 restrict or set any parameters for the number of distributors that will be allowed in the state?

A: There is nothing in I-1183 that sets any limits on the number of liquor distributors in Washington State.

Q: What does the spirits distributor license allow?

A: Information about distributors is posted at <http://www.liq.wa.gov/transition/distributors>.

Q: Can a person be both a distributor and a retailer? I have 2,000 sq ft of space in my basement below my store to warehouse product. Is there possibility to sub-distribute for larger distributors?

A: Yes, however, the same business entity cannot hold both a retailer and distributor license. In order to hold both licenses, there would need to be a second separate business entity created. There is no provision in law for "sub-distribution."

Q: Has LCB heard anything from distributors on their plans to provide service to Retail Spirit license holders?

A: As of January 9, six entities have filed application for the spirit distributor license.

Retail - Spirits Retailer License

Q: What does the spirits retailer license allow?

A: The "Retailers" page provides detailed information about this new license type at <http://www.liq.wa.gov/transition/retailers>.

Q: Is a retail license good for more than one location?

A: No. A separate license is required for each retail location.

Q: What are the requirements of 10,000 square foot location?

A: This information is provided at <http://www.liq.wa.gov/transition/retailers>. With some exceptions (noted below), the board may issue a spirits retail license only for premises at least 10,000 square feet of fully enclosed retail space within a single structure, including storerooms and other interior auxiliary areas but excluding covered or fenced exterior areas. Exceptions to this 10,000 square foot requirement include existing contract liquor stores at their contract location and holders of former state liquor store operating rights that were sold at auction. Further, the board may issue a spirits retail license to applicants with less than 10,000 square feet of retail space where:

- There is no spirits retail license holder in the trade area the applicant serves or proposes to serve;
- The applicant meets or upon licensure will meet operational requirements established by the board in rule; and
- The licensee has not committed more than one public safety violation within the two years preceding application.

Q: Does the business have to be grocery store?

A: A "spirits retail licensee" is intended to allow the sale of spirits in original containers to consumers for off-premises consumption. If an applicant meets all spirits retail license requirements and pays all fees due, there is no requirement that the applicant be a grocery store or hold a license as a beer/wine grocery store.

Q: If a "Liquor Barn" wants to come in and they have or build a 10,000 sf building can they get a license?

A: If the applicant meets all requirements to hold a liquor license and LCB receives no objections to the application, they will be approved to sell spirits for off- premises consumption.

Q: How much will a Retail spirits license cost?

A: \$166 per year. In addition, a retail spirits licensee must pay a license fee of 17% of its spirits sales revenues to the Board. The first payment will be due Oct. 1, 2012 and the board will establish by rule the frequency of additional license issuance fees prior to the first payment.

Q: Is the "liquor license" attached to the business or is it attached to the person?

A: All licenses require that the people involved in the business be background checked and listed as a party to the license. Each business entity type has requirements to provide information about people as a part of the application process. Each physical location must obtain a separate license that will be issued in the name of the entity or persons determined to be "true parties of interest."

Q: Will there be an additional sales tax on liquor under the initiative?

A: Spirits retail licensees will have to collect the excise and liter taxes on spirits from the retail customer. These tax rates are the same as the taxes that the Liquor Control Board currently collects when it sells spirits. Spirits retail licensees must pay the taxes to the Department of Revenue, which is developing tax reporting forms and information.

Q: When will current license holders in my vicinity be able to receive a spirits retailer license?

A: The LCB Licensing Division is already accepting applications for new license types. A list of license types and explanation of the licensing process is available on our web site. Retailers cannot sell spirits until June 1, 2012. <http://www.liq.wa.gov/licensing/available-license-types>

Q: Will there be change to the hours of liquor sales for the new retailers?

A: The law does not set the hours of sale, and the Board's rules currently allow all forms of liquor (beer, wine and spirits) to be sold between the hours of 6 a.m. up until 2 a.m. daily. The Board has not determined at this time if it will modify the rules governing the hours of sale.

Q: How much consideration will LCB give to local governments that say they don't want a liquor outlet? What about stores that have had a prior liquor violation and may be a public safety risk?

A: The local government jurisdiction (what we refer to as a local authority or LA) may object to any liquor license application and according to state law (RCW 66.24.010(8)) this objection must be supported by facts on which the objection is based. In making its decision on issuing a license, the LCB must give substantial weight to a local authority objection which is based on chronic illegal activity (RCW 66.24.010(12)). The LCB will not normally issue a liquor license to a person or entity that has accumulated three or more public safety violations in the past two years (WAC 314-07-045). If there appears to be grounds for the denial of any liquor license, the applicant will be officially notified of the reasons for such intended denial and given the right to request

an administrative hearing on these reasons. More information regarding local government objections can be found in RCW 66.24.010 sub-section 8 & 12 and WAC 314-09.

Q: Is a Spirit Retail license holder exempt from paying the 17 percent fee in sales to licensees (bar/restaurants)?

A: Yes, the 17 percent retail spirits license fee need not be paid on sales to on-premises licensees (restaurants and bars). More specific information regarding the requirements can be found in I-1183 under Section 103 sub-sections (2) and (4).

Q: Is the LCB aware of any out-of-state liquor retailers who looking at opening outlets in Washington?

A: There is nothing identified within I-1183 that would prohibit out-of-state liquor retailers from conducting business in Washington. We have heard that that there is interest from several retailers who wish to apply for a Spirits retail license to participate in liquor sales in Washington state.

Banquet Permits

Q: How will the LCB handle the sale of Banquet Permits after June 1?

A: The LCB is developing a process for issuance of Banquet Permits. Once there is more certainty of this new process, it will be communicated via the LCB website.

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