

THIS IS NOT A RULE PROPOSAL
THESE ARE CONCEPTUAL DRAFT RULES DESIGNED FOR DISCUSSION ONLY
02/19/2021

WAC 314-28-010 Records. (1) All distilleries licensed under RCW 66.24.140 and 66.24.145, including craft, fruit, and laboratory distillers must:

(a) Keep records regarding any spirits, whether produced or purchased, for three years after each sale. ~~A distiller is required to report on forms approved by the liquor and cannabis board;~~

(b) In the case of spirits exported or sold, preserve all bills of lading and other evidence of shipment;

(c) Submit duplicate copies of transcripts, notices, or other data that is required by the federal government to the ~~liquor and cannabis~~ board if requested, within thirty days of the notice of such request. A distiller shall also furnish copies of the bills of lading, covering all shipments of the products of the licensee, to the board within thirty days of notice of such request;

(d) Preserve all sales records to spirits retail licensees, sales to spirits distributors, and exports from the state; and

THIS IS NOT A RULE PROPOSAL
THESE ARE CONCEPTUAL DRAFT RULES DESIGNED FOR DISCUSSION ONLY
02/19/2021

(e) Submit copies of its ~~monthly~~ records to the ~~liquor and cannabis~~ board upon request.

(2) In addition to the above, a craft distiller must:

(a) Preserve all sales records of retail sales to consumers; and

(b) Submit its ~~monthly~~ records to the ~~liquor and cannabis~~ board upon request.

[Statutory Authority: RCW 66.08.030. WSR 16-01-102, § 314-28-010, filed 12/16/15, effective 1/16/16. Statutory Authority: RCW 66.08.030, 66.24.055, 66.24.160, 66.24.630, and 66.24.640. WSR 12-12-065, § 314-28-010, filed 6/5/12, effective 7/6/12. Statutory Authority: RCW 66.24.145 and 66.08.030. WSR 10-19-066, § 314-28-010, filed 9/15/10, effective 10/16/10; WSR 09-02-011, § 314-28-010, filed 12/29/08, effective 1/29/09. Statutory Authority: RCW 66.08.030. WSR 86-07-022 (Order 172, Resolution No. 181), § 314-28-010, filed 3/13/86; Order 14, § 314-28-010, filed 12/1/70, effective 1/1/71; Rule 84, filed 6/13/63.]

WAC 314-28-055 ~~What are the R~~requirements for contract production by craft distilleries.? (1) This section clarifies the language for contract production found in RCW 66.24.145. For the purposes of this section, contract production is when one craft distillery, referred to as the "contractor," produces

THIS IS NOT A RULE PROPOSAL
THESE ARE CONCEPTUAL DRAFT RULES DESIGNED FOR DISCUSSION ONLY
02/19/2021

distilled spirits for and sells contract distilled spirits to holders of distillers' or manufacturers' licenses including licenses issued under RCW 66.24.520, referred to as "contractee," and for export from the state. This distilled spirit is referred to as the "product."

(a) The contractee is the product owner. The contractee may handle the product under its license as RCW and WAC allow.

(b) The contractor is required to physically transport all contracted product to the contractee. The contractor is not allowed to distribute or retail the product.

(2) The contractor must submit a copy of the contract to the board prior to production. Any changes in the contract must also be submitted to the board prior to subsequent production. The board may require additional information.

(3) The contractor and contractee are required to obtain any federal approvals.

(4) Maintaining qualification as a craft distillery. Each craft distillery, whether in the capacity of a contractor or contractee, is allowed to produce one hundred fifty thousand

THIS IS NOT A RULE PROPOSAL
THESE ARE CONCEPTUAL DRAFT RULES DESIGNED FOR DISCUSSION ONLY
02/19/2021

gallons or less of total product per year. Total product, in this instance, includes:

- (a) Product owned and produced by the craft distillery;
- (b) Product owned and produced by the craft distillery for export from the state;
- (c) Product owned by the craft distillery but produced by another craft distillery;
- (d) Product produced by the craft distillery on behalf of another craft distillery;
- (e) Product produced by the craft distillery under contract for another distillery, manufacturer, or grower.

(5) ~~Reporting and r~~Recordkeeping.

(a) The contractor must ~~include~~ submit, upon request by the board, records of all product produced including contract production ~~when it reports its monthly production to the board.~~

(b) The contractee must ~~include~~ submit, upon request by the board, records of the product contract ~~—~~produced by another craft distillery ~~when the contractee reports its monthly production to the board.~~

THIS IS NOT A RULE PROPOSAL
THESE ARE CONCEPTUAL DRAFT RULES DESIGNED FOR DISCUSSION ONLY
02/19/2021

(c) The contractor's and the contractee's recordkeeping documents must include the product information for each contract. The information must show the quantities produced. [Statutory Authority: RCW 66.24.145, and 66.08.030. WSR 14-20-047, § 314-28-055, filed 9/24/14, effective 10/25/14; WSR 10-19-066, § 314-28-055, filed 9/15/10, effective 10/16/10.]

REPEAL ~~WAC 314-28-070 Monthly reporting and payment requirements for a distiller and craft distiller. (1) A distiller or craft distiller must submit monthly production and sales reports and payment to the board.~~

~~(2) The required monthly reports must be:~~

~~(a) Filed electronically or mailed on a form furnished by the board;~~

~~(b) Filed every month, including months with no activity or payment due;~~

~~(c) Submitted with any payment due to the board on or before the twentieth day of each month for the previous month (for example, a report listing transactions for the month of January is due by February 20th). When the twentieth day of the month falls on a Saturday, Sunday, or a legal holiday, the~~

THIS IS NOT A RULE PROPOSAL

*THESE ARE CONCEPTUAL DRAFT RULES DESIGNED FOR DISCUSSION ONLY
02/19/2021*

~~report and payment must be submitted electronically or
postmarked by the U.S. postal service no later than the next
postal business day; and~~

~~(d) Filed separately for each liquor license held.~~

~~(3) For reporting purposes, production is the distillation
of spirits from mash, wort, wash, or any other distilling
material. After the production process is complete, a production
gauge must be made to establish the quantity and proof of the
spirits produced. Designation of the kind of spirits must be
made at the time of the production gauge. The distiller must
maintain a record of the production gauge. The production
process is complete when the product is packaged for
distribution. Production quantities are reportable within thirty
days of the completion of the production process.~~

~~(4) A distiller must pay seventeen percent of their gross
spirits revenue to the board on sales to customers for off-
premises consumption.~~

~~(a) Payments must be submitted with the monthly reports on
or before the twentieth day of each month for the previous month~~

THIS IS NOT A RULE PROPOSAL
THESE ARE CONCEPTUAL DRAFT RULES DESIGNED FOR DISCUSSION ONLY
02/19/2021

~~(for example, payment for a report listing transactions for the month of January is due by February 20th). When the twentieth day of the month falls on a Saturday, Sunday, or a legal holiday, payment must be made or postmarked by the U.S. postal service no later than the next postal business day.~~

~~(b) Electronic payments will be considered received on the date they post in the WSLCB receiving account.~~

~~[Statutory Authority: Chapter 66.24 RCW, RCW 66.08.030 and Court of Appeals Decision: Washington Restaurant Association, et al., v. WSLCB, 200 Wn.App. 119, 401 P.3d 428 (2017). WSR 19-21-002, § 314-28-070, filed 10/2/19, effective 1/1/20. Statutory Authority: RCW 66.24.170, 66.24.640, 66.24.695, and 66.08.030. WSR 18-02-006, § 314-28-070, filed 12/20/17, effective 1/20/18. Statutory Authority: RCW 66.08.030, 66.24.055, 66.24.160, 66.24.630, and 66.24.640. WSR 12-12-065, § 314-28-070, filed 6/5/12, effective 7/6/12. Statutory Authority: RCW 66.24.145 and 66.08.030. WSR 10-19-066, § 314-28-070, filed 9/15/10, effective 10/16/10; WSR 09-02-011, § 314-28-070, filed 12/29/08, effective 1/29/09.]~~

REPEAL ~~WAC 314-28-080 What if a distillery or craft distillery licensee fails to report or pay, or reports or pays late?~~ Failure of a distillery or craft distiller to submit its

THIS IS NOT A RULE PROPOSAL
THESE ARE CONCEPTUAL DRAFT RULES DESIGNED FOR DISCUSSION ONLY
02/19/2021

~~monthly reports and payment to the board as required will be sufficient grounds for the board to suspend or revoke the liquor license.~~

~~Penalties. A penalty of two percent per month will be assessed on any payments postmarked after the twentieth day of the month following the month of sale. When the twentieth day of the month falls on a Saturday, Sunday, or a legal holiday, the filing must be postmarked by the U.S. Postal Service no later than the next postal business day.~~

~~Absent a postmark, the date received at the Washington state liquor control board, or designee, will be used to determine if penalties are to be assessed.~~

~~[Statutory Authority: RCW 66.24.170, 66.24.640, 66.24.695, and 66.08.030. WSR 18-02-006, § 314-28-080, filed 12/20/17, effective 1/20/18. Statutory Authority: RCW 66.08.030. WSR 14-12-101, § 314-28-080, filed 6/4/14, effective 7/5/14. Statutory Authority: RCW 66.24.630, 66.24.055, 66.24.145 and 66.08.030. WSR 13-07-085, § 314-28-080, filed 3/20/13, effective 4/20/13. Statutory Authority: RCW 66.08.030, 66.24.055, 66.24.160, 66.24.630, and 66.24.640. WSR 12-12-065, § 314-28-080, filed 6/5/12, effective 7/6/12. Statutory Authority: RCW 66.08.030,~~

THIS IS NOT A RULE PROPOSAL
THESE ARE CONCEPTUAL DRAFT RULES DESIGNED FOR DISCUSSION ONLY
02/19/2021

~~66.24.145. WSR 09-02-011, § 314-28-080, filed 12/29/08,
effective 1/29/09.]~~

WAC 314-28-090 Distilleries or craft distilleries—

Requirements for s~~Selling out-of-state. What are the
requirements for a craft distillery licensee to sell its spirits
product outside the state of Washington?~~

(1) A distillery or craft distillery licensee shall ~~include, in its monthly report to~~ provide, upon request by the board, information on the product it produces in-state and sells out-of-state. Information includes, but is not limited to, the amount of proof gallons sold, and for a craft distillery, the composition of raw materials used in production of the product.

(2) Product produced in-state and sold out-of-state counts toward a craft distillery licensee's one hundred fifty thousand proof gallons per calendar year production limit.

(3) Product produced in-state and sold out-of-state is subject to the fifty percent Washington grown raw materials requirement for a craft distillery.

THIS IS NOT A RULE PROPOSAL
THESE ARE CONCEPTUAL DRAFT RULES DESIGNED FOR DISCUSSION ONLY
02/19/2021

~~(4) A distillery or craft distillery licensee is not subject to Washington state liquor taxes on any product the licensee sells out-of-state.~~

[Statutory Authority: RCW 66.24.170, 66.24.640, 66.24.695, and 66.08.030. WSR 18-02-006, § 314-28-090, filed 12/20/17, effective 1/20/18. Statutory Authority: RCW 66.08.030, 66.24.055, 66.24.160, 66.24.630, and 66.24.640. WSR 12-12-065, § 314-28-090, filed 6/5/12, effective 7/6/12. Statutory Authority: RCW 66.24.145 and 66.08.030. WSR 10-19-066, § 314-28-090, filed 9/15/10, effective 10/16/10; WSR 09-02-011, § 314-28-090, filed 12/29/08, effective 1/29/09.]