



NOTICE OF RULE ADOPTION

Establishing a fee for a wine shipper's permit and repealing the reciprocal wine shipping program.

The Washington State Liquor Control Board has adopted rules establishing a fee for a wine shipper's permit and repealing the reciprocal wine shipping program. These rules will become effective June 11, 2006. Text of the rule is attached at the end of this notice.

If you have any questions, please contact Pam Madson, Rules Coordinator, at 360-664-1648 (or e-mail at rules@liq.wa.gov).

BACKGROUND

As a result of the *Granholm* decision issued by the U.S. Supreme Court in 2005, many states have changed their "wine shipment to consumer" laws. Washington changed its law from a reciprocal law to a permit fee law. Under reciprocity, out-of-state wineries were allowed to ship directly to Washington consumers if that state allowed Washington wineries to do the same. No fee was charged to either state's wineries and wineries did not pay taxes in the state they shipped to.

In the 2006 legislative session, Washington joined other states in passing a permit system law. This law allows any out-of-state wine producer to ship to Washington consumers and allows both out-of-state and Washington wineries the same privilege. Wineries pay a fee and are required to pay the taxes of the state into which they ship wine.

The range of fees adopted in other states starts at a low of \$10 (California and Wisconsin) to a high of \$1,000. Six states have fees of \$100 or greater. Ten states have fees of less than \$100.

In preparing fiscal impact of the bill (ESB 6537) for the legislature, a fee of \$100 was proposed and used for revenue projections. The wine shipper permit fee is the only fee paid by qualifying wineries seeking to sell their wines to Washington consumers. Wine shippers currently holding a no-fee wine shipper license were

contacted to alert them to changes that were anticipated. Of the 160+ wine shipper licensees contacted, 94 have responded that they will continue to ship under a wine shipper permit that costs \$100. Two expressed concern that the fee was too high.

U.S. wineries that choose to distribute their products through Washington distributors under a certificate of approval (COA) may continue to ship directly to consumers under the COA. The fee for a COA is \$200. They must obtain a no-fee endorsement indicating that they will be using the direct shipment privilege.

The following rule changes will become effective June 11, 2006.

NEW SECTION

WAC 314-24-232 What is the cost of a wine shipper's permit? A wine shipper's permit is an annual permit. The fee is one hundred dollars per year.

REPEALER

The following sections of the Washington Administrative Code are repealed:

WAC 314-24-230	Wine shipper's license.
WAC 314-24-240	Conditions on delivery.
WAC 314-24-250	Labeling requirements for private wine shippers.