Washington State
Liquor and Cannabis Board

# CR 102 Memorandum

## Regarding implementation of 2023 Liquor Legislation Engrossed Substitute House Bill (ESHB) 1731 (chapter 257, Laws of 2023) an act relating to complimentary liquor by short-term rental operators.

Date: August 2, 2023
Presented by: Daniel Jacobs, Policy and Rules Coordinator

## Background

On May 24, 2023, the Washington State Liquor and Cannabis Board (LCB) filed a CR 101 preproposal statement of inquiry (WSR# 23-11-115) to consider creating new rule sections and amending existing rule sections to implement 2023 liquor legislation of three bills: House Bill (HB) 1730 (chapter 158, Laws of 2023), ESHB 1731 (chapter 257, Laws of 2023) and HB 1772 (chapter 217, Laws of 2023). During the collaborative rule development process, it was determined that HB 1730 and HB 1772 did not require the creation of new rules or changes to existing rules.

ESHB 1731 (chapter 257, Laws of 2023) amends state law to allow owners of short-term rentals to obtain a permit to provide a complimentary bottle of wine to those who rent the unit, so long as the owner of the short-term rental complies with age-verification requirements, provides the prospective renter with advance notice that a complimentary bottle of wine will be provided, advises the prospective renter of certain laws against illegal public consumption, and provides the prospective renter with an opportunity to decline the complimentary wine bottle prior to the rental period. Owners of short-term rentals who obtain these special permits are permitted to purchase wine from wine distributors.

## Stakeholder Engagement

The CR 102 rule proposal was developed through a collaborative rule development process. Conceptual draft rule language was developed through a series of internal project team meetings including LCB staff from the Licensing Division, Enforcement and Education Division, and Finance Division, and the conceptual draft rules were shared publicly through GovDelivery with feedback requested between July 3 and July 17, 2023. This messaging is included as Attachment A to this memorandum.

In response to the GovDelivery messaging requesting feedback on the conceptual draft rules, the agency received one public comment. No public comments were received regarding the filing of the CR 101 preproposal statement of inquiry. The lone comment

is included in Attachment B to this memorandum and was taken into consideration as the rule proposal was developed. While the suggested additional requirement was not ultimately adopted, the LCB plans on conducting a retrospective review approximately a year or more after the permits become available to review the number of permits issued and identify any potential topics that may be suitable for further rulemaking.

## Estimated Costs of Compliance

Under the Regulatory Fairness Act (RFA) in chapter 19.85 RCW, agencies are required to consider the costs that complying with the proposed rules will impose on businesses, unless the proposed rules are subject to an exemption to this requirement. The CR 102 form describes these exemptions in more detail. In summary, the proposed amended rules implement a legislatively created permit and are exempt from the RFA's Small Business Economic Impact Statement (SBEIS) requirement.

## Rule Necessity

New rules are needed to implement ESHB 1731, align agency rules with the new law, and inform licensees about the option for short-term rental operators to obtain wine directly from wine distributors for use under the newly created permit.

## Description of Rule Changes

**Amended WAC 314-24-180**. Wine distributors, wine importers—Certain rights granted. The proposed rule amendment to this section states that wine distributors are permitted to sell wine directly to short-term rental operators who hold the permit created by ESHB 1731 and codified in RCW 66.20.010(18).

**Amended WAC 314-24-190.** Wine suppliers and distributors.
The proposed rule amendment to this section changes the definition of "wine distributor" to state that wine distributors may sell wine directly to holders of the permit created by ESHB 1731 and codified in RCW 66.20.010(18).

**Attachments:**
Attachment A. *GovDelivery message requesting public feedback on conceptual draft rules, sent July 3, 2023.*
Attachment B. *Table containing public feedback received on the conceptual draft rules.*

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