

TIED HOUSE LAW – FINANCIAL INTEREST/OWNERSHIP

Law and Rules

General Rule. The financial interest/ownership part of the tied house law (RCW 66.28.010) prohibits a manufacturer, importer, distributor, or authorized representative (MDI), or person financially interested, "directly or indirectly" from having any "direct or indirect" financial interest in a retail licensee. In addition, a MDI may not own any of the property upon which a retail licensee conducts business, and may not hold a retail license or sell at retail.

Financial interest includes any interest, whether by stock ownership, mortgage, lien, or through interlocking directors, or otherwise. Financial interests held by banks and institutional investors not directly controlled by a MDI are permitted as long as there is no influence on the purchasing practices of the retailer.

Exceptions. A number of exceptions have been enacted. Wineries and breweries may sell their beer and wine as well as wine and beer produced by others at retail on their premises. A winery may hold a restaurant license for a spirits, beer, and wine restaurant on its premises or on contiguous property. A brewery may hold up to two licenses for a restaurant and/or tavern on its premises or at separate locations.

Other exceptions address partial ownership interests. A manufacturer may have an indirect interest in a retailer that operates a hotel, subject to Liquor Control Board (board) approval. The sale of liquor must be incidental to the hotel operation and the retailer must not sell the manufacturer's products. A nonprofit association or a wine industry association with an officer, director, owner, or employee of a winery on its board of directors may hold a special occasion license. Also, a wine promotion organization with an officer, director, owner, or employee of a winery on its board of directors may hold a retail license and lease property to a retailer.

Other provisions are exceptions to the restriction on property ownership. A manufacturer may have an indirect interest in property on which a retail licensee does business and which is used for outdoor entertainment or as a hotel. The retailer may not sell the manufacturer's products. A distributor that sells its business under a real estate contract is deemed to not have a financial interest in the distributor (and may be a retailer). Also, a retailer with a caterer's endorsement may operate on a winery.

Brief History

1909 Early law prohibits manufacturers and distributors from having an interest in a retail liquor store. Laws of 1909, Chapter 85.

1933 Tied house law enacted as part of Steele Act. Laws of 1933 1st Ex. Sess., Chapter 62.

Since 1933, amendments include the following:

- 1975 Breweries and wineries may be licensed as retailers to sell their beer and wine on the brewery/winery premises. Laws of 1975 1st Ex. Sess., Chapter 173.
- 1977 Breweries and wineries may be licensed as restaurants. Laws of 1977 1st Ex. Sess., Chapter 219.
- 1985 A distributor that sells its business under a real estate contract is deemed to not have a financial interest (and may be a retailer). Laws of 1985, Chapter 363.
- 1985 A common carrier license is not considered a retail license for tied house purposes (allowing a manufacturer, for example, to own a cruise line holding a common carrier license to sell spirits, beer, and wine on a vessel). Laws of 1985, Chapter 363.
- 1992 Wineries and breweries may sell wine and beer produced by other manufacturers. Laws of 1992, Chapter 78.
- 1996 A manufacturer may have an indirect interest in property on which a retail licensee does business and which is used for outdoor entertainment. Laws of 1996, Chapter 106.
- 1996 A public house license is created, which authorizes retail licensees to also manufacture beer. Laws of 1996, Chapter 229.
- 1998 A manufacturer may have an indirect interest in a retailer where the sale of liquor is incidental to the operation of the property as a hotel. Laws of 1998, Chapter 127.
- 2004 A retailer with a catering endorsement may operate on a winery. Laws of 2004, Chapter 62.
- 2006 A wine promotion organization with board members who are officers, directors, owners, or employees of a winery may hold a retail license and lease property to a retailer. A nonprofit organization with an officer, director, owner or employee of a winery on its board of directors may hold a special occasion license. Laws of 2006, Chapter 43.
- 2007 A brewery or microbrewery with a restaurant license may have a second retail license off the premises. Laws of 2007, Chapter 370.
- 2007 Microbreweries with a restaurant license may have the same privileges as restaurants (e.g. catering). Laws of 2007, Chapter 222.
- 2007 A wine industry association with an officer, director, owner, or employee of a winery on its board of directors may hold a special occasion license. Laws of 2007, Chapter 370.

2008 A brewery or microbrewery may have the permitted two retail licenses off the premises and the license may be a tavern license in addition to a restaurant license. Laws of 2008, Chapter 41.

Federal Law/Laws of Other States

The Federal Alcohol Administration Act allows outright ownership of a retail license by a MDI. Partial ownership is regulated. The Act does not regulate retailers and applies to beer only to the extent a similar state law exists. 27 U.S.C. § 205; 27 C.F.R. § 633.

The related table provides examples of the exceptions found in other states.