

REVENUE: No revenue impact

FISCAL: No fiscal impact

Action:	Do Pass the A-Engrossed Measure
Vote:	6 - 0 - 0
Yeas:	Atkinson, Burdick, Edwards, Girod, Starr, Beyer
Nays:	0
Exc.:	0
Prepared By:	Richard Berger, Administrator
Meeting Dates:	5/9, 5/19

WHAT THE MEASURE DOES: Clarifies the privileges of winery licensees. Establishes that a winery licensee may import wine or cider in containers that have a capacity of more than four liters, or of four liters or less if the brand of wine or cider is under the control of the licensee. Defines “control.” Clarifies the type of federal licensure that a winery licensee must possess. Establishes an operative date of January 1, 2014.

ISSUES DISCUSSED:

- Need for winery license to distinguish between different type of wineries
- Possible amendments requiring Oregon Liquor Control Commission to consider local land use regulation

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Oregon Liquor Control Commission (OLCC) grants winery licenses to commercial entities that principally produce wine or cider in the state. The license allows a business to import, bottle, produce blend, store, transport, or export wine or cider; sell wine or cider at wholesale; and sell wine or cider at the retail level at up to three locations. New business models have emerged, such as “custom crush customers” who do not produce any wine themselves but contract with a bonded winery to process grapes and produce wine for them, with the custom crush customer retaining rights to the brand. The OLCC has, in the past, granted a winery license to custom crush operations, despite the lack of on-site production and a basic permit from the federal Alcohol Tobacco Tax and Trade Bureau (TTB), which wineries are also required to possess. In so doing, some custom crush operations have been allowed to engage in wholesale and retail privileges, creating some confusion between the privileges of these businesses and producing wineries, as well as traditionally modeled specialty retailers and distributors.

House Bill 2633 A clarifies the privileges of winery licensees, particularly for custom crush customers. In order to hold a winery license, the licensee must possess, at a bonded premise within Oregon, a TTB Basic Permit, or possess a TTB Basic Permit and have a written contract with a winery that authorizes the winery to produce for the licensee a brand of wine or cider that is under the licensee’s control. If a winery licensee does not possess a TTB Basic Permit at a bonded premise within Oregon, the privileges are extended only to wine and cider brands that are under the licensee’s control.

“Control” is defined as owning the brand under which the wine or cider is labeled; or performing, or having the legal right to perform, all of the acts common to a brand owner under a trademark license’s terms or a similar agreement for the labeled brand with a term of at least three years.