FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 1501**

Seventy-Sixth Oregon Legislative Assembly – 2012 Regular Session
Legislative Fiscal Office

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Measure Description:
The measure allows for a holder of off-premises sales license, to store wine at licensed premises for transport to other licensed premises for sale at retail under certain restrictions. The bill creates a new "Central Warehouse" license allowing for the licensee to receive shipments and take title of tax-paid wine, hold that wine, and transport that wine to other licensed premises where it is held until it is sold at retail under certain conditions. The measure also allows for Central Warehouse licenses to be held by a cooperative of at least 10 off-premise licensees and sets a Central Warehouse licensing fee of $1,000.

Government Unit(s) Affected:
Oregon Liquor Control Commission (OLCC)

Summary of Fiscal Impact:
Please see analysis

Local Government Mandate:
This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:
The Oregon Liquor Control Commission (OLCC) currently licenses about 193 wholesale distributors of malt beverages and wine. Under current statute, wine manufacturers or producers, of which there are roughly 1600 with certificate of approval from the OLCC, predominately make sales of wine and ship wine to licensed wholesale distributors. In turn, the wine is received and held under a bond to ensure the payment of state taxes by the wholesale distributor. When wine is sold by the distributor to a retail off-premise licensee, the tax on the wine is paid by the distributor to the OLCC and the wine is taken out of bond and transported to the retail off-premise licensee. 97% of all wine tax collections are received from wholesale distributors. The exception to this process is where a wine manufacturer or producer is licensed by the OLCC for self-distribution, where by the wine manufacturer or producer transports directly to the retail off-premise licensee and pays the tax to the OLCC upon transport. There are about 121 wine self-distribution permit holders and the wine tax paid by these self-distributors comprises less than 3% of all wine tax collections. The OLCC notes that typical shipments of wine to retail off-premise license holders by self-distributors are limited due the fact that the off-premise license holders only purchase the amount of wine that they believe they can sell at the license premise. The bill provides a mechanism by which a retail off-premise license holder or a group of off-premise license holders can receive wine centrally and transport it to multiple locations they have an interest in, with limitations. This mechanism would allow an off-premise license holder to centralize the purchasing of wine that is intended to be sold in multiple locations, making it a more viable option for wine manufacturers or producers to ship directly to retail off premise licensees and therefore likely increase the number of wine manufacturers or producers becoming self-distributors. The cost of this legislation is resultant from the possible shift away from the current paradigm in which OLCC collects the wine tax and audits the 193 licensed wholesale distributors and 121 self-distributors to one where the collection of the tax and the auditing would be spread among a larger number of entities; new and existing wine manufacturers or producers that choose to self-distribute and licensed wholesale distributors. This shift results in a larger number of tax collection and auditing points which would include the central warehouses retail off-premise license holders who receive direct shipment, and out of state wine manufacturers or producers.

The measure creates the potential for increased complexity and workload related to OLCC's ability to accurately audit and collect taxes due on wine. However, the number of off-premise licensees that would choose to receive shipments directly or apply for central warehouse licensing, and that a number of wine manufacturers or producers that would apply for licensure as a wine self-distributor are unknown and therefore, the fiscal impact of the bill is indeterminate.