

March 19, 2019

VIA EMAIL TO [sjud.exhibits@oregonlegislature.gov](mailto:sjud.exhibits@oregonlegislature.gov)

Oregon Senate Committee on Judiciary  
900 Court Street NE  
Salem, OR 97301

RE: Oregon wine industry coalition response to SB 111 claims

Dear Legislators,

We are a group of Oregon vineyard owners and wineries that represent nearly half of the grape and wine production in Oregon. We are frustrated with the misleading information that Willamette Valley Vineyards' (WVV) lobbyists have presented to you about SB 111 and its companion bills, and by their mischaracterization of the Oregon wine industry's stance on these bills. This message provides a brief, point-by-point response to WVV's recent "Truth in Oregon Wine Labeling" talking points.

### **1. Out-of-state winery compliance with Oregon labeling requirements**

WVV statement: WVV asserts that "out-of-state wineries who are making Oregon labeled wines are not required to follow Oregon law" and that SB 111 will require out of state wineries to "follow the same rules Oregon wineries must follow in making Oregon labeled wines."

Coalition response: WVV is incorrect. Federal Tax and Trade Bureau rules require out-of-state wineries to follow the labeling laws of the state where the grapes are grown. See 27 CFR 4.25.

### **2. Payment of Oregon grape tonnage tax**

WVV statement: WVV asserts that "large California producers are avoiding the wine grape tax that Oregon wineries must pay" and that SB 111 will ensure that out-of-state wineries pay these taxes on the Oregon grapes that they purchase.

Coalition response: We agree that all wineries should pay the same grape tonnage tax, and this is what Oregon law requires.

Under current law, grape growers and wineries are each responsible for paying half of the tonnage tax. When a grower sells to an Oregon winery, the winery must deduct the grower's tax share from the purchase price and pay the full tax to the OLCC. If the winery is from out of state, the vineyard and the winery must each pay their respective portions of the tax directly to OLCC.

See ORS 475.045(5). Greater tax enforcement by OLCC may be necessary, but new legislation is not needed to ensure that out-of-state wineries to pay grape taxes.

### **3. “Truth in labeling”**

WVV statement: WVV claims that SB 111 promotes “truth in labeling.”

Coalition response: WVV’s claim is deceptive. Both the introduced and -1 versions of SB 111 are primarily designed to make consumers think that wine made from Oregon grapes by a winery outside of Oregon is of lesser quality than wine made entirely within Oregon. This is not true, and the effect of SB 111 would be to diminish the value of Oregon grapes that are sold to out of state wineries. The bill’s true purpose is to give certain Oregon winegrowers like WVV a competitive advantage over other winegrowers, including many Oregon winegrowers.

### **4. Who supports SB 111?**

WVV statement: WVV claims that “Oregon wine consumers, Oregon winemakers, growers and the Oregon Winegrowers Association” support SB 111. Elsewhere in its message, WVV states that it is referring to the -3 version of the bill.

Coalition response: The -3 amendments are not yet public, and very few wine industry members have seen these amendments. WVV did not share these amendments with coalition members. WVV has misled the wine industry regarding the contents of SB 111, and WVV’s claims about who supports and who opposes SB 111 are inaccurate.

Sincerely,

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Naumes Vineyards and Winery  
North West Wine Co

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Pallet Wine Company  
Paul O'Brien Winery  
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