

SB 111 -4 STAFF MEASURE SUMMARY

Senate Committee On Judiciary

Prepared By: Channa Newell, Counsel

Meeting Dates: 2/20, 3/21, 4/8

WHAT THE MEASURE DOES:

Makes certain wine labeling practices a deceptive label if more than one American Viticultural Area (AVA) is stated or implied on label, unless areas overlap or are nestled within larger area, the AVA is stated or implied as the brand name, use of name conflicts with Oregon Liquor Control Commission (OLCC) standards for AVA, crushing or pressing not performed in Oregon or within the AVA. Clarifies that deceptive label brand designation does not apply if the brand name state or implied AVA is federally trademarked, the wine is sold in interstate commerce, the brand is in use before December 31, 2017, or the wine is in conformance with established commission standards for the AVA. Requires annual statement from manufacturer of wine from outside Oregon if label implies AVA is within state. Requires notarized statement that wine conforms to labeling and packaging laws of Oregon. Allows fine of up to \$25,000 for violation of act. Makes violation an unlawful trade practice under ORS 646.608. Requires Oregon Liquor Control Commission to report on compliance and recommendations for further action no later than September 15, 2026.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-4 Replaces measure. Allows Oregon Liquor Control Commission (OLCC) to adopt rules to establish content standards for wine and use of Oregon appellation of origin on wine label, packaging, advertising, or marketing. Allows OLCC to refuse to sell any alcoholic liquor that is deceptively labeled or branded as to content, origin, or geographic designations. Provides OLCC with authority to suspend or revoke license or certificate of approval held by person who violates deceptive labeling or sale of unsealed containers. Provides OLCC with authority to assess fine of up to \$25,000, pursuant to a fee schedule developed by rule. Requires fee schedule to include consideration of nature of violations and number of prior violations. Prohibits OLCC from holding wholesaler or retailer responsible for violations of standards for seals on wine. Require OLCC to report to interim committee of Legislative Assembly relating to business no later than September 15, 2022 on complaints relating to wine labeling. Allows recommendations for legislation and rules regarding wine labels.

Modifies collection of taxes on grapes. Requires \$12.50 of \$25.00 per ton tax to be levied and assessed against winery purchasing grape products unless grapes are used for wine that is produced within a federally approved American Viticultural Area (AVA) located partially within the state and does not use an Oregon designation or Oregon ABA on its label or packaging. Specifies that if winery purchasing grapes hold license or permit from OLCC, then purchasing winery is to pay the \$25.00 tonnage tax and deduct \$12.50 per ton from price paid to seller. Specifies that if purchasing winery does not hold license or permit from OLCC, then winery shall report the sale on forms provided by the OLCC and pay the tax as directed by the OLCC. Specifies that resale of item in bulk to out of state buyer does not impose tax upon buyer, if original winery deducts and pays tax as required. Specifies tax provisions become operative January 1, 2021. Allows OLCC to take any action necessary prior to operative date necessary to carry out requirements of section.

Takes effect 91 days sine die.

BACKGROUND:

This summary has not been adopted or officially endorsed by action of the committee.

SB 111 -4 STAFF MEASURE SUMMARY

Oregon State University estimated that in 2015, the Oregon wine industry had a \$3.35 billion dollar impact on Oregon's economy. Wine labeling is controlled by both federal and state laws. The Alcohol and Tobacco Tax and Trade Bureau (TTB) regulates American Viticultural Areas, or AVAs. In order to specify a particular AVA on a wine label, at least 85% of the grapes in the wine must be grown in that AVA. An AVA may cross a state boundary. Under Oregon law, ORS 471.445 requires the label on a bottle of wine to precisely and clearly indicate the contents of the bottle and not mislead on age, composition, quantity, or quality.

Senate Bill 111 modifies ORS 471.446, Seals on wine and cider containers, to specify that a label is deceptive if more than one AVA is stated or implied unless areas overlap or are nestled within larger area, the AVA is stated or implied as the brand name, use of name conflicts with OLCC standards for AVA, and crushing or pressing was not performed in Oregon or within AVA if it overlaps into adjacent state. The measure provides several exceptions to the deceptive label designation and requires an annual statement from wine makers that the wine is made in conformance with AVA standards. Additionally, the measure makes violations an unlawful trade practice and allows the OLCC to levy a fine of up to \$25,000 for violations.