SB 111 A   STAFF MEASURE SUMMARY

Senate Committee On Judiciary

Action Date:	04/09/19
Action:	Do pass with amendments and requesting referral to Ways and Means. (Printed A-Engrossed.)
Vote:	5-2-0-0
Yeas:	5 - Fagan, Gelser, Manning Jr, Prozanski, Thatcher
Nays:	2 - Bentz, Linthicum
Fiscal:	Fiscal impact issued
Revenue:	Has minimal revenue impact
Prepared By:	Channa Newell, Counsel
Meeting Dates:	2/20, 3/21, 4/9

WHAT THE MEASURE DOES:

Allows Oregon Liquor Control Commission (OLCC) to adopt rules to establish content standards for wine and use of Oregon appellation of origin on wine labeling, 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. Requires 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 AVA on its label or packaging. Specifies that if winery purchasing grapes holds 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 to carry out requirements of section. Takes effect 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Current wine labeling standards
- Application of labeling standards to grapes grown in Oregon but made into wine in another state
- Efforts to protect Oregon wine brand
- Provisions of measure

EFFECT OF AMENDMENT:

Replaces the measure.

BACKGROUND:

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

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label, at least 85 percent 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 A requires the Oregon Liquor Control Commission (OLCC) to develop rules on standards for wine labeling, including use of appellation of origin. The OLCC is given authority to assess a fine and develop a fine schedule based on number of prior occurrences and severity of conduct. SB 111 A also requires a report to the Legislative Assembly on complaints relating to wine labels no later than September 15, 2022. Additionally, the measure modifies the process for collection of taxes on grapes.