

**REVENUE IMPACT OF
PROPOSED LEGISLATION
81st Oregon Legislative Assembly
2021 Regular Session
Legislative Revenue Office**

Bill Number: SB 316 - A
Revenue Area: Alcohol Revenue
Economist: Mazen Malik
Date: 03-07-2021

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Establishes rate of compensation to be paid by Oregon Liquor Control Commission to distillery retail outlet agent for distilled liquor retail sales by agent.

Revenue Impact (in \$Millions):

	2021-23	2023-25	2025-27
Liquor Revenue	(\$2.67)	(\$4.04)	(\$4.16)
General Fund	(\$1.50)	(\$2.26)	(\$2.33)
Cities	(\$0.91)	(\$1.37)	(\$1.41)
Counties	(\$0.27)	(\$0.40)	(\$0.42)

Impact Explanation:

Distilleries are treated as liquor stores but are permitted to sell their own liquor out of their own tasting rooms. Each distiller is allowed a maximum of 5 tasting rooms in addition to the main distillery (for a total of 6 tasting rooms). As of 2019 there are about 65 distilleries selling liquor out of 104 tasting rooms. Under current law, liquor sales through tasting rooms are treated in the same fashion as liquor sales through ordinary liquor stores, applying the same agent compensation formula, markup formula, surcharge and listing process. However, for tasting rooms, OLCC never actually handles the liquor sold in the tasting rooms but distillers are required to file weekly reports on their sales. Distilleries remit net profit to the state after taking out their manufacturing cost and their retail agent compensation. The compensation rate has been averaging about 16% to 17% in the last few of years. This measure fixes the compensation rate in statutes at 17% for sales over \$250,000. For sales below \$250,000, each distiller will be compensated at 45% rate (regardless of the number of tasting rooms). Prior to the COVID pandemic, tasting rooms have been experiencing strong double-digit growth, however, for this analysis, the assumption is that the growth gradually returns to pre pandemic levels by the end of 2023, then stabilizes at 3% a year growth until the sunset date on Jan-2028.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is to incentivize the small distilleries and allow them the chance to grow their products. Although the OLCC markup is not thought of as a tax in the classic sense, the revenue from the markup is an important source of revenue for General Fund.

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