

SB 316 A STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Action Date: 03/04/21

Action: Do pass with amendments and requesting referral to Ways and Means. (Printed A-Engrossed.)

Vote: 5-0-0-0

Yeas: 5 - Boquist, Burdick, Findley, Riley, Wagner

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

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Meeting Dates: 2/11, 3/4

WHAT THE MEASURE DOES:

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

ISSUES DISCUSSED:

- Impacts for the small Distilleries with COVID
- Federal and state regulations as it limits the OLCC model.
- Marketing of Oregon products, increase sales and revenue.
- Connections to local Agriculture and local products.
- Similarity with the small business model for beer and wine.
- The high costs imposed by the tax rate.
- Consultations between the industry and the OLCC.
- Inclusion in the governor's budget.
- Attracting new business and visitors.
- Allow for the small businesses to be viable.
- Retain more earning and hire more employees.
- Costs to local governments.
- Agent compensation issues.
- Treatment and addiction issues.
- Special treatment for the distillery industry

EFFECT OF AMENDMENT:

-1 Adds a six year sunset to the measure.

BACKGROUND:

Distilleries are treated like liquor stores, but are allowed to sell their own liquor out of their 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 were about 65 distilleries selling liquor out of 104 tasting rooms. The liquor sales through the tasting rooms are treated the same as liquor sales through stores with the same compensation formula, markup formula, surcharge and listing process. However, for the tasting rooms, OLCC never sees the liquor sold in tasting rooms but distillers are required to file weekly reports on their sales and remit the net profit to the state after taking out their manufacturing cost and their compensation as retail agents. The compensation rate has been averaging about 16% to 17% in the last few years. This measure fixes that rate at 17% in statutes for sales over \$250,000. For those distillers selling through tasting rooms the first \$250,000 in sales are compensated at 45% rate. Tasting rooms have been experiencing strong double-digit growth prior to 2020, however, they are among the businesses that have experienced significant slowing related to the COVID pandemic. The "-1" amendment

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imposes a six year sunset on the special tax treatment.