

4 Spirits Distillery
3405 SW Deschutes Street
Corvallis, Oregon 97333

February 9, 2021

State of Oregon: Senate Finance Committee
Salem, Oregon 97301

Senate Finance Committee Members:

We write today to express support for Senate Bill 316, a necessary change that would have huge financial impact on the craft beverage manufacturing industry and would greatly improve the ability for our businesses to thrive here in Oregon.

Currently as policy stands, each distillery that sells product in Oregon is responsible to compensate the OLCC for the warehousing and distribution of spirits, regardless of where the product is sold. The OLCC fee rate remains the same both for spirits that are distributed and warehoused by the state, as well as for bottles that stay in our possession and are produced and sold directly out of our own tasting rooms. Oregon distilleries should not pay for state warehousing and distribution services when selling products that do not leave their own production facilities.

Bearing equal weight is our inability to capture necessary compensation for bottles sold internally, which directly affects our ability to grow our business, enhance our equipment and add additional jobs to our economy. With a policy change to fairly compensate in-house bottle sales, 4 Spirits along with many other distilleries will have the ability to reinvest in our respective companies for the greater good. This will allow for many opportunities, including the capability of growing areas of our businesses that have been neglected due to budget limitations. This will simply shift a small amount of funds to compensate for tasting room sales untouched by OLCC, and to provide proper and fair compensation to manufacturers.

The COVID-19 Pandemic has negatively impacted almost all craft beverage tasting rooms. Despite this, many distilleries stepped up to the plate to provide essential manufacturing services such as the distribution of hand sanitizer to our communities. Now we look to you for support of a structural fee change that has been needed for over 10 years.

Regardless of the impact of COVID-19, the tax structure for Oregon distillers has been fundamentally incorrect since the inception of distillery tasting room sales. As our industry grows, it is crucial that we are working on a level playing field when it comes to warehousing and distribution fees. Our businesses have already been heavy hit, so this additional percentage gained will make a world of difference in the ability for distilleries to get back on their feet and thrive.

To be clear about impact, this fee structure change is not related to an increase or decrease of alcohol consumption throughout the state. It is an isolated fee structure change that will directly impact compensation to our small businesses, and is not tied to consumption. It is simply a way to create support

and a fair system for these businesses who are looking to thrive and continue to build. Distilleries support Oregon farms, local manufacturers, and provide destinations that attract visitors to our cities and rural areas. These aspects of the craft distillery business will grow and flourish with the access to our fair share of independent sales compensation.

Our request is simple, fair and mindful of the interests of all parties to ensure a future where we will be able to thrive. It will further help us to contribute to the state economy, grow our capacity as Oregon employers, and ensure that we are all a part of the craft beverage manufacturing and tourism community for the long-term.

Thank you for taking the time to understand what is at stake, and what SB 316 means for our manufacturing businesses and industry.

Sincerely,

Dawson Officer, Owner/Distiller
4 Spirits Distillery
Corvallis, Oregon