



April 2, 2025

TO: Members of the Joint Committee on Addiction and Community Safety Response

FR: Derek Sangston, Oregon Business & Industry

RE: Opposition to HB 3197

Chairs Prozanski and Kropf, Vice-Chair Mannix, members of the Joint Committee on Addiction and Community Safety Response. For the record I am Derek Sangston, policy director and counsel for Oregon Business & Industry (OBI).

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians. Oregon's private sector businesses help drive a healthy, prosperous economy for the benefit of everyone.

Thank you for the opportunity to testify in opposition to HB 3197. By phasing in an initial 2% sales tax on retail purchases of beer, wine, and cider and increasing that tax to 8% by 2032, HB 3197 would further raise prices borne by Oregon consumers when they can least afford it. Additionally, Oregon's craft beverage sector is facing unprecedented challenges with inflation, supply chain issues, employee shortages, natural disasters, a pandemic, and record closures. The last thing this industry, or Oregonians, need is an additional tax.

The massive sales tax proposed by HB 3197 would harm consumers at a time when more and more of them rate the state's cost of living as their top concern. It would ultimately decrease the amount Oregonians can spend at their local brewery, taphouse, or winery, which would inflict significant harm an essential part of Oregon's economy and identity. Almost certainly adding to the record closures with 70 breweries, taprooms, and brewpubs and 60 wineries and tasting rooms shuttering in the past two years. The tax that would be imposed by HB 3197 is projected by some studies to grow to \$161 million in 2032 and would likely cause Oregon to lose 1,079 jobs, shrink Gross Domestic Product (GDP) by \$203 million, decrease personal income earned by Oregonians by \$128 million, and almost certainly increase inflation.

Oregon's overall tax burden has skyrocketed in recent years causing the Tax Foundation to downgrade our general tax competitiveness from 9th in 2019 to 30th last year. [In its report](#), the Tax Foundation noted that "Oregon forgoes a sales tax, but doubles down on other forms of taxation." Not only would HB 3197 impose a sales tax that must be broadly collected by grocery stores, restaurants, breweries, wineries, taphouses and other businesses establishments, but it would also add major complexity to the state's tax framework. As a result, HB 3197 would only continue Oregon's drastic decline.

Last year Oregon brewers, winemakers and cidemakers served on a taskforce to examine alcohol taxes. The taskforce declined to recommend a tax increase and 87.5% of the public comments submitted opposed tax increases. Instead, the taskforce found the Oregon Health Authority lacks accountability and fails to track spending or results. Oregon Health Authority said it cannot account for \$72 million in substance use disorder spending last biennium. Instead of imposing a new tax on businesses and consumers, the Legislature should hold agencies responsible for waste and repurpose existing funds for better use of programs with metrics of success.

For those reasons, I urge this committee to oppose HB 3197. Thank you for your consideration.

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