

# House Bill 4146

Sponsored by Representative KROPF (Presession filed.)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act tells OLCC to let a distillery be a craft low-proof spirit distillery. The Act tells OLCC to let some stores sell low-proof spirit beverages. The Act also taxes the low-proof spirit beverages. (Flesch Readability Score: 60.9).

Defines "craft low-proof spirit distiller" and "low-proof spirit beverage." Allows the Oregon Liquor and Cannabis Commission to issue a craft low-proof spirit distiller endorsement to certain distillery licensees. Directs the commission to issue a low-proof spirit beverage endorsement to the holder of an off-premises sales license for a premises that is greater than 4,000 square feet. Directs the commission to establish a craft brewery and distillery marketing and economic development grant program to support the craft brewery and distillery industry. Establishes the Craft Brewery and Distillery Marketing and Economic Development Grant Program Fund in the State Treasury. Imposes a tax on low-proof spirit beverages.

Takes effect on the 91st day following adjournment sine die.

## A BILL FOR AN ACT

Relating to alcohol; creating new provisions; amending ORS 317A.100, 430.256, 471.001, 471.155, 471.175, 471.230, 471.805, 471.810, 473.060, 473.065, 473.070, 473.080, 473.090, 473.100, 473.140, 473.150, 473.160 and 473.170; prescribing an effective date; and providing for revenue raising that requires approval by a three-fifths majority.

**Be It Enacted by the People of the State of Oregon:**

## LOW-PROOF SPIRIT BEVERAGES

**SECTION 1.** Sections 2 to 5 of this 2026 Act are added to and made a part of ORS chapter 471.

**SECTION 2.** (1)(a) The Oregon Liquor and Cannabis Commission may issue a craft low-proof spirit distiller endorsement to the holder of a distillery license issued under ORS 471.230 that produces no more than 500,000 gallons per year of low-proof spirit beverages.

(b) The holder of a distillery license and an endorsement issued under this section that pays to the commission an amount equal to the fee for a direct to retailer permit may deliver a low-proof spirit beverage produced by the holder to the holder of a craft low-proof spirit beverage endorsement issued under section 3 of this 2026 Act on the same terms as a holder of a direct to retailer permit.

(2) The commission may adopt rules to carry out this section.

**SECTION 3.** (1) The Oregon Liquor and Cannabis Commission shall issue a low-proof spirit beverage endorsement to the holder of an off-premises sales license issued under ORS 471.186 for a premises that is greater than 4,000 square feet.

(2) The holder of an off-premises sales license that applies for a low-proof spirit beverage endorsement shall pay to the commission a nonrefundable fee of \$2,500 for each premises for

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 which the licensee applies for an endorsement. The moneys collected under this subsection  
 2 shall be deposited in the Craft Brewery and Distillery Marketing and Economic Development  
 3 Grant Program Fund established under section 5 of this 2026 Act.

4 (3) Notwithstanding ORS 471.186, the holder of an off-premises sales license endorsed  
 5 under this section may, at the premises for which the licensee has the endorsement, sell and  
 6 deliver a low-proof spirit beverage. The retail sale and delivery of low-proof spirit beverages  
 7 under this subsection are subject to the same restrictions and requirements imposed under  
 8 this chapter and by the commission by rule for the retail sale and delivery of wine by the  
 9 holder of an off-premises sales license.

10 (4) The holder of a low-proof spirit beverage endorsement that holds a direct shipper  
 11 permit may sell and deliver a low-proof spirit beverage directly to a resident of this state for  
 12 personal use on the same terms that the holder is allowed to deliver wine.

13 (5) Any liability insurance or bonding requirement imposed on a licensee under this  
 14 chapter regarding the sale or service of a low-proof spirit beverage must be identical to the  
 15 liability insurance or bonding requirement imposed on a licensee under this chapter regard-  
 16 ing the sale or service of wine.

17 (6) An individual entering this state may possess an amount of low-proof spirit beverage  
 18 that does not exceed the amount of wine under ORS 471.405 that an individual entering this  
 19 state is allowed to possess.

20 (7) ORS 471.740 and 471.745 do not apply to low-proof spirit beverages.

21 (8) The commission may adopt rules to carry out this section.

22 **SECTION 4. (1) As used in this section:**

23 (a) "Craft low-proof spirit beverage" means a low-proof spirit beverage produced by a  
 24 craft low-proof spirit distiller.

25 (b) "Qualified marketing effort" means marketing activity that:

26 (A) Promotes the sale of craft beer or craft low-proof spirit beverages; and

27 (B) Does not promote specific brands of craft beer or craft low-proof spirit beverages or  
 28 exclusively promote the products of a particular craft brewery licensee or distillery licensee.

29 (2) The Oregon Liquor and Cannabis Commission shall establish a craft brewery and  
 30 distillery marketing and economic development grant program to support business develop-  
 31 ment, innovation projects, new product development and qualified marketing efforts in the  
 32 craft brewery and distillery industries in this state.

33 (3) The commission shall adopt rules to carry out this section, including rules specifying  
 34 eligibility criteria for grants and establishing an application process.

35 **SECTION 5.** The Craft Brewery and Distillery Marketing and Economic Development  
 36 Grant Program Fund is established in the State Treasury, separate and distinct from the  
 37 General Fund. Interest earned by the Craft Brewery and Distillery Marketing and Economic  
 38 Development Grant Program Fund shall be credited to the fund. The moneys in the fund  
 39 shall consist of moneys from fees collected under section 3 of this 2026 Act. The moneys in  
 40 the fund are continuously appropriated to the Oregon Liquor and Cannabis Commission for  
 41 the purpose of carrying out section 4 of this 2026 Act.

42 **SECTION 6.** ORS 471.001 is amended to read:

43 471.001. As used in this chapter and ORS chapter 473:

44 (1) "Alcoholic beverage" and "alcoholic liquor" mean any liquid or solid containing one-half of  
 45 one percent or more of alcohol by volume and capable of being consumed by a human being.

(2) “Commercial establishment” means a place of business:

(a) Where food is cooked and served;

(b) That has kitchen facilities adequate for the preparation and serving of meals;

(c) That has dining facilities adequate for the serving and consumption of meals; and

(d) That:

(A) If not a for-profit private club, serves meals to the general public; or

(B) If a for-profit private club, serves meals to the club’s members and guests and complies with any minimum membership and food service requirements established by Oregon Liquor and Cannabis Commission rules.

[(3) “Commission” means the Oregon Liquor and Cannabis Commission.]

**(3) “Craft low-proof spirit distiller” means a distiller that produces low-proof spirit beverages in an amount of no more than 500,000 gallons per year.**

(4) “Distilled liquor” means:

(a) Any alcoholic beverage other than a wine, cider or malt beverage[. “Distilled liquor” includes]; and

(b) Distilled spirits.

(5) “Licensee” means any person holding a license issued under this chapter.

**(6) “Low-proof spirit beverage” means an alcoholic beverage that:**

**(a) Contains, at a minimum, a mixture of distilled liquor and a nonalcoholic liquor;**

**(b) Contains not more than 14 percent alcohol by volume; and**

**(c) Is packaged in a container that does not exceed 375 milliliters.**

[(6)(a)] **(7)(a)** “Malt beverage” means beer, ale, porter, stout and other similar fermented beverages that contain one-half of one percent or more of alcohol by volume and not more than 16 percent of alcohol by volume and that are brewed or produced from malt, wholly or in part, or from rice, grain, bran, glucose, sugar or molasses as a substitute for malt.

(b) “Malt beverage” does not include cider, mead, sake or wine.

[(7)] **(8)** “Manufacturer” means every person who produces, brews, ferments, manufactures or blends an alcoholic beverage within this state or who imports or causes to be imported into this state an alcoholic beverage for sale or distribution within the state.

[(8)] **(9)** “Permittee” means a person holding a permit issued under ORS 471.360 to 471.385.

[(9)] **(10)** “Premises” or “licensed premises” means a location licensed under this chapter and all enclosed areas at the location that are used in the business operated at the location, including but not limited to offices, kitchens, rest rooms, storerooms, all public and private areas where patrons are permitted to be present and areas outside of a building that the commission has specifically designated as approved for alcoholic beverage service or consumption.

[(10)] **(11)** “Regulatory specialist” means a full-time employee of the commission who is authorized to act as an agent of the commission in conducting inspections or investigations, making arrests and seizures, aiding in prosecutions for offenses, issuing citations for violations and otherwise enforcing this chapter, ORS 474.005 to 474.095, 474.115, 475C.005 to 475C.525, 475C.540 to 475C.586 and 475C.600 to 475C.648, commission rules and any other statutes the commission considers related to regulating liquor, marijuana or marijuana-derived products.

[(11)(a)] **(12)(a)** “Wine” means, when fit for beverage purposes and containing one-half of one percent or more of alcohol by volume and not more than 21 percent of alcohol by volume:

(A) Fermented vinous liquor or fruit juice;

(B) Fortified wine; and

(C) Any other fermented beverage.

(b) "Wine" does not include:

(A) Cider; or

(B) An item described in paragraph (a) of this subsection if the item is a malt beverage as defined in this section.

**SECTION 7.** ORS 471.175 is amended to read:

471.175. (1) The holder of a full on-premises sales license may sell by the drink at retail wine, malt beverages, cider and distilled liquor. Except as provided in this section and ORS 471.176, all alcoholic beverages sold under a full on-premises sales license must be consumed on the licensed premises.

(2) A full on-premises sales license may be issued only to a:

(a) Nonprofit private club, as described in subsection (11) of this section.

(b) Public passenger carrier as provided in ORS 471.182.

(c) Commercial establishment[, *as defined in ORS 471.001 (2)*].

(d) Public location that does not qualify for licensing under paragraphs (a) to (c) of this subsection if:

(A) Food is cooked and served at the location;

(B) The predominant business activity at the location is other than the preparation or serving of food or the serving of alcohol; and

(C) The location meets any minimum food service requirements established by Oregon Liquor and Cannabis Commission rule.

(e) Caterer, subject to the requirements of ORS 471.184.

(3) The holder of a full on-premises sales license shall allow a patron to remove a partially consumed bottle of wine from the licensed premises if the wine is served in conjunction with the patron's meal, the patron is not a minor and the patron is not visibly intoxicated.

(4) The holder of a full on-premises sales license may purchase any distilled liquor from an agent of the commission appointed pursuant to ORS 471.750 at a discount of not more than five percent off the regular listed price fixed by the commission, together with all taxes, in a manner prescribed by commission rule. For purposes of compensation by the commission, the appointed agent shall be credited with such sales at full retail cost. The commission may not require the licensee to purchase more than one container of distilled liquor at a time if the distilled liquor:

(a) Except as provided in subsection (12) of this section, has a retail sales price of \$30 or more per container;

(b) Is available through a distributor in the United States that does not require the commission to acquire more than one case of the distilled liquor in a single transaction;

(c) Is not regularly stocked by the commission; and

(d) Is ordered in a 750 milliliter container size if available in that size.

(5) The holder of a full on-premises sales license may purchase distilled liquor only from a retail sales agent of the commission or from another person licensed under this section who has purchased the distilled liquor from a retail sales agent of the commission.

(6) The holder of a full on-premises sales license may purchase for sale at retail malt beverages, wine and cider only from a holder of a license or permit issued by the commission that authorizes sales of malt beverages, wine or cider at wholesale to licensees of the commission.

(7) The holder of a full on-premises sales license may sell for consumption off the licensed premises malt beverages, wine and cider in securely covered containers provided by the consumer

1 that have capacities of not more than two gallons each.

2 (8) The holder of a full on-premises sales license may sell for consumption off the licensed  
3 premises malt beverages, wine and cider in factory-sealed containers.

4 (9)(a) The holder of a full on-premises sales license may deliver malt beverages, wine and cider  
5 that are sold for off-premises consumption under the privileges of the license to retail customers in  
6 this state without a direct shipper permit issued under ORS 471.282. Any deliveries by the licensee  
7 are subject to any rules adopted by the commission relating to deliveries made under this sub-  
8 section.

9 (b) The holder of a full on-premises sales license that uses a third-party delivery facilitator to  
10 make deliveries under this subsection is not responsible for ensuring that the deliveries made by the  
11 third-party delivery facilitator meet any requirements applicable to the deliveries.

12 (10) On or before the 20th day of each month, the holder of a full on-premises sales license may  
13 submit to the commission a report showing the quantity of malt beverages, wine or cider received  
14 from the holder of a direct to retailer permit issued under ORS 471.274 during the immediately  
15 preceding calendar month, and any other information required by the commission by rule.

16 (11) A nonprofit private club, including but not limited to a fraternal or veterans organization,  
17 may qualify for a full on-premises sales license under this section only if the club meets any mini-  
18 mum membership, nonprofit status and food service requirements established by commission rule.

19 (12) Beginning January 1, 2017, the commission may annually adjust the price threshold estab-  
20 lished in subsection (4)(a) of this section by a percentage equal to the percentage change in the  
21 Consumer Price Index for All Urban Consumers, West Region (All Items), as published by the Bu-  
22 reau of Labor Statistics of the United States Department of Labor. However, the commission may  
23 not adjust the price threshold to be less than \$30.

24 (13) An applicant for a full on-premises sale license that intends to offer alcoholic beverages for  
25 consumption on the licensed premises shall at the time of application apply for a service permit  
26 under ORS 471.375.

27 (14) The commission may adopt rules to carry out this section.

28 **SECTION 8.** ORS 471.230 is amended to read:

29 471.230. (1)(a) A distillery license allows the licensee to:

30 (A) Import, manufacture, distill, rectify, blend, denature and store distilled liquor[, to];

31 (B) Sell the distilled liquor to the Oregon Liquor and Cannabis Commission [and to];

32 (C) Transport the distilled liquor out of this state for sale outside this state[. *Distillery licensees*  
33 *may*]; **and**

34 (D) Purchase and sell distilled liquor from or to another distillery licensee in containers having  
35 a capacity greater than one U.S. gallon for blending and manufacturing purposes. A distillery  
36 licensee may not sell any alcoholic beverage within this state except to the commission or as pro-  
37 vided in this section.

38 (b) **An** [*However, any*] agricultural producer [*or*], **an** association of agricultural producers or the  
39 legal [*agents*] **agent** of an agricultural producer or association of agricultural producers that man-  
40 ufactures and converts agricultural surpluses, by-products and wastes into denatured ethyl and in-  
41 dustrial alcohol for use in the arts and industry [*are*] **is** not required to obtain a license from the  
42 commission.

43 (2) If a distillery licensee holds a valid distilled spirits plant basic permit issued by the federal  
44 Alcohol and Tobacco Tax and Trade Bureau for the licensed premises, the distillery licensee may:

45 (a) Permit tastings of distilled liquor approved by the commission for sale in Oregon and manu-

1 factured in Oregon by the distillery licensee or by another distillery licensee. Tastings may be of  
 2 the distilled liquor alone or with a mix of other liquids. If any of the other liquids are distilled li-  
 3 quors, they must be distilled liquors on the list of products approved by the commission for retail  
 4 sale in Oregon and must be purchased by the licensee at the retail price established by the com-  
 5 mission. This paragraph does not authorize sales by the drink of distilled liquor. The tastings may  
 6 be conducted on the licensed premises of the distillery and at no more than five other premises  
 7 owned or leased by the licensee. The commission may allow more than one distillery licensee to use  
 8 the same premises at the same time for conducting tastings if the premises are a primary production  
 9 location and the licensees share the premises or are owned by the same entity. If the manufacturer  
 10 of the distilled liquor obtains distilled liquor for conducting tastings from the inventory of the  
 11 commission, the licensee shall pay the commission a processing fee.

12 (b) Obtain a special events distillery license.

13 (c) Apply for appointment by the commission as a distillery retail outlet agent for purposes of  
 14 *[retailing]* **selling at retail** distilled liquor at locations where tastings are permitted under para-  
 15 graph (a) of this subsection or subsection (4)(a) of this section. A distillery retail outlet agent may  
 16 sell at locations where tastings are allowed under paragraph (a) of this subsection only distilled li-  
 17 quor that is on the list of products approved by the commission for retail sale in Oregon and is  
 18 manufactured in Oregon by the distillery licensee or by another distillery licensee that uses the  
 19 same premises as a primary production location or is owned by the same entity as the distillery  
 20 licensee.

21 (3) Notwithstanding ORS 471.392 to 471.400, a distillery licensee may hold one or more full on-  
 22 premises sales licenses. All distilled liquor sold under a full on-premises sales license must be pur-  
 23 chased from the commission.

24 (4) A distillery licensee that holds a special events distillery license may conduct an event on  
 25 premises designated in the special events distillery license. Except as provided in this subsection,  
 26 a special events distillery license may be valid for a period not exceeding five days. The commission  
 27 shall limit the approval of special events distillery licenses for a distillery licensee at the same lo-  
 28 cation to not more than 62 days during a calendar year. A distillery licensee conducting a special  
 29 event may:

30 (a) Permit tastings of distilled liquor approved by the commission for sale in Oregon and manu-  
 31 factured in Oregon by the distillery licensee. Tastings may be of the distilled liquor alone or with  
 32 a mix of other liquids. If any of the other liquids are distilled liquors, they must be distilled liquors  
 33 on the list of products approved by the commission for retail sale in Oregon and must be purchased  
 34 by the licensee at the retail price established by the commission. If the manufacturer of the distilled  
 35 liquor obtains distilled liquor for conducting tastings from the inventory of the commission, the  
 36 licensee shall pay the commission a processing fee.

37 (b) Permit sales by the drink of distilled liquor. A drink that a distillery licensee sells under this  
 38 paragraph must include distilled liquor that the licensee manufactured in Oregon. Any distilled li-  
 39 quor contained in the drink must be on the list of products approved by the commission for retail  
 40 sale in Oregon. The distillery licensee selling the drink must purchase all distilled liquor contained  
 41 in the drink at the retail price set by the commission for the month in which the drink is sold.

42 (c) If the distillery licensee has been appointed as a distillery retail outlet agent under sub-  
 43 section (2)(c) of this section, sell distilled liquor in factory-sealed containers for consumption off the  
 44 licensed premises. A distillery retail outlet agent may sell at a location where tastings are allowed  
 45 under paragraph (a) of this subsection only distilled liquor that is on the list of products approved

by the commission for retail sale in Oregon and is manufactured in Oregon by the distillery licensee. The distillery retail outlet agent must sell the distilled liquor at the retail price set by the commission for the month of sale.

(5) The commission shall pay a distillery retail outlet agent compensation for distilled liquor retail sales by the agent under subsection (2)(c) or (4)(c) of this section. The compensation rate shall be:

(a) For the first \$250,000 of annual total combined retail sales from all distillery retail outlet agent tasting locations operated by the distillery licensee under subsection (2)(a) or (4)(a) of this section, 45 percent of the retail price set by the commission for the sold distilled liquor.

(b) For distilled liquor retail sales by the agent that are not described in paragraph (a) of this subsection, 17 percent of the retail price set by the commission for the sold distilled liquor.

**(6)(a) In addition to any other privilege granted to a distillery licensee, a distillery licensee that holds a craft low-proof spirit distiller endorsement issued under section 2 of this 2026 Act may import, manufacture, blend and store low-proof spirit beverages. A distillery licensee described in this subsection may sell a low-proof spirit beverage:**

**(A) To export;**

**(B) To the holder of an off-premises sales license issued under ORS 471.186 that holds a low-proof spirit beverage endorsement issued under section 3 of this 2026 Act; or**

**(C) At retail directly to the consumer for consumption off of the distillery's licensed premises.**

**(b) A distillery licensee described in this subsection may conduct tastings of low-proof spirit beverages manufactured by the licensee at any location where the licensee may conduct tastings of distilled liquor under subsection (2) or (4) of this section.**

**SECTION 9.** ORS 471.230, as amended by section 3, chapter 649, Oregon Laws 2021, is amended to read:

471.230. (1)(a) A distillery license allows the licensee to:

**(A)** Import, manufacture, distill, rectify, blend, denature and store distilled liquor[, to];

**(B)** Sell the distilled liquor to the Oregon Liquor and Cannabis Commission [*and to*];

**(C)** Transport the distilled liquor out of this state for sale outside this state[. *Distillery licensees may*]; **and**

**(D)** Purchase and sell distilled liquor from or to another distillery licensee in containers having a capacity greater than one U.S. gallon for blending and manufacturing purposes. A distillery licensee may not sell any alcoholic beverage within this state except to the commission or as provided in this section.

**(b) An** [*However, any*] agricultural producer, **an** [*or*] association of agricultural producers or the legal [*agents*] **agent** of an agricultural producer or association of agricultural producers that manufactures and converts agricultural surpluses, by-products and wastes into denatured ethyl and industrial alcohol for use in the arts and industry [*are*] **is** not required to obtain a license from the commission.

(2) If a distillery licensee holds a valid distilled spirits plant basic permit issued by the federal Alcohol and Tobacco Tax and Trade Bureau for the licensed premises, the distillery licensee may:

(a) Permit tastings of distilled liquor approved by the commission for sale in Oregon and manufactured in Oregon by the distillery licensee or by another distillery licensee. Tastings may be of the distilled liquor alone or with a mix of other liquids. If any of the other liquids are distilled liquors, they must be distilled liquors on the list of products approved by the commission for retail

1 sale in Oregon and must be purchased by the licensee at the retail price established by the com-  
 2 mission. This paragraph does not authorize sales by the drink of distilled liquor. The tastings may  
 3 be conducted on the licensed premises of the distillery and at no more than five other premises  
 4 owned or leased by the licensee. The commission may allow more than one distillery licensee to use  
 5 the same premises at the same time for conducting tastings if the premises are a primary production  
 6 location and the licensees share the premises or are owned by the same entity. If the manufacturer  
 7 of the distilled liquor obtains distilled liquor for conducting tastings from the inventory of the  
 8 commission, the licensee shall pay the commission a processing fee.

9 (b) Obtain a special events distillery license.

10 (c) Apply for appointment by the commission as a distillery retail outlet agent for purposes of  
 11 *[retailing]* **selling at retail** distilled liquor at locations where tastings are permitted under para-  
 12 graph (a) of this subsection or subsection (4)(a) of this section. A distillery retail outlet agent may  
 13 sell at locations where tastings are allowed under paragraph (a) of this subsection only distilled li-  
 14 quor that is on the list of products approved by the commission for retail sale in Oregon and is  
 15 manufactured in Oregon by the distillery licensee or by another distillery licensee that uses the  
 16 same premises as a primary production location or is owned by the same entity as the distillery  
 17 licensee.

18 (3) Notwithstanding ORS 471.392 to 471.400, a distillery licensee may hold one or more full on-  
 19 premises sales licenses. All distilled liquor sold under a full on-premises sales license must be pur-  
 20 chased from the commission.

21 (4) A distillery licensee that holds a special events distillery license may conduct an event on  
 22 premises designated in the special events distillery license. Except as provided in this subsection,  
 23 a special events distillery license may be valid for a period not exceeding five days. The commission  
 24 shall limit the approval of special events distillery licenses for a distillery licensee at the same lo-  
 25 cation to not more than 62 days during a calendar year. A distillery licensee conducting a special  
 26 event may:

27 (a) Permit tastings of distilled liquor approved by the commission for sale in Oregon and manu-  
 28 factured in Oregon by the distillery licensee. Tastings may be of the distilled liquor alone or with  
 29 a mix of other liquids. If any of the other liquids are distilled liquors, they must be distilled liquors  
 30 on the list of products approved by the commission for retail sale in Oregon and must be purchased  
 31 by the licensee at the retail price established by the commission. If the manufacturer of the distilled  
 32 liquor obtains distilled liquor for conducting tastings from the inventory of the commission, the  
 33 licensee shall pay the commission a processing fee.

34 (b) Permit sales by the drink of distilled liquor. A drink that a distillery licensee sells under this  
 35 paragraph must include distilled liquor that the licensee manufactured in Oregon. Any distilled li-  
 36 quor contained in the drink must be on the list of products approved by the commission for retail  
 37 sale in Oregon. The distillery licensee selling the drink must purchase all distilled liquor contained  
 38 in the drink at the retail price set by the commission for the month in which the drink is sold.

39 (c) If the distillery licensee has been appointed as a distillery retail outlet agent under sub-  
 40 section (2)(c) of this section, sell distilled liquor in factory-sealed containers for consumption off the  
 41 licensed premises. A distillery retail outlet agent may sell at a location where tastings are allowed  
 42 under paragraph (a) of this subsection only distilled liquor that is on the list of products approved  
 43 by the commission for retail sale in Oregon and is manufactured in Oregon by the distillery licensee.  
 44 The distillery retail outlet agent must sell the distilled liquor at the retail price set by the com-  
 45 mission for the month of sale.



(5)(a) In addition to any other privilege granted to a distillery licensee, a distillery licensee that holds a craft low-proof spirit distiller endorsement issued under section 2 of this 2026 Act may import, manufacture, blend and store low-proof spirit beverages. A distillery licensee described in this subsection may sell a low-proof spirit beverage:

(A) To export;

(B) To the holder of an off-premises sales license issued under ORS 471.186 that holds a low-proof spirit beverage endorsement issued under section 3 of this 2026 Act; or

(C) At retail directly to the consumer for consumption off of the distillery's licensed premises.

(b) A distillery licensee described in this subsection may conduct tastings of low-proof spirit beverages manufactured by the licensee at any location where the licensee may conduct tastings of distilled liquor under subsection (2) or (4) of this section.

**SECTION 10.** ORS 471.810 is amended to read:

471.810. (1) At the end of each month, the Oregon Liquor and Cannabis Commission shall certify the amount of moneys available for distribution in the Oregon Liquor and Cannabis Commission Account and, after withholding such moneys as it may deem necessary to pay its outstanding obligations, shall within 35 days of the month for which a distribution is made direct the State Treasurer to pay the amounts due, upon warrants drawn by the Oregon Department of Administrative Services[.].

**(2) Of the amount certified under subsection (1) of this section, the first \$3 million available for distribution per month shall be distributed as follows:**

(a) Fifty-six percent, or the amount remaining after the distribution under subsection [(4)] (6) of this section, credited to the General Fund, **with 50 percent to be used for qualified victim services programs as defined in ORS 40.264, and the balance** available for general governmental purposes wherein it shall be considered as revenue during the quarter immediately preceding receipt;

(b) Twenty percent to the cities of the state in such shares as the population of each city bears to the population of the cities of the state, as determined by Portland State University last preceding such apportionment, under ORS 190.510 to 190.610;

(c) Ten percent to counties in such shares as their respective populations bear to the total population of the state, as estimated from time to time by Portland State University; and

(d) Fourteen percent to the cities of the state to be distributed as provided in ORS 221.770 and this section.

**(3) Any amount described in subsection (1) of this section that is in excess of \$3 million for a month shall be paid to the distributees described in subsection (2) of this section, but in the following percentages:**

**(a) 8.5 percent to cities, to be apportioned as provided in ORS 221.770 and subsection (2)(b) of this section.**

**(b) 7 percent to the General Fund.**

**(c) 2.5 percent to counties, to be apportioned as provided in subsection (2)(c) of this section.**

**(d) 82 percent to the Department of Justice for purposes of victim services funding.**

[(2)] (4) The commission shall direct the Oregon Department of Administrative Services to transfer 50 percent of the revenues from the taxes imposed by ORS 473.030 and 473.035 to the Mental Health Alcoholism and Drug Services Account in the General Fund to be paid monthly as

provided in ORS 430.380.

[(3)] (5) If the amount of revenues received from the taxes imposed by ORS 473.030 for the preceding month was reduced as a result of credits claimed under ORS 473.047, the commission shall compute the difference between the amounts paid or transferred as described in subsections [(1)(b), (c) and (d) and (2)] (1) to (3) of this section and the amounts that would have been paid or transferred under subsections [(1)(b), (c) and (d) and (2)] (1) to (3) of this section if no credits had been claimed. The commission shall direct the Oregon Department of Administrative Services to pay or transfer amounts equal to the differences computed for subsections [(1)(b), (c) and (d) and (2)] (1) to (3) of this section from the General Fund to the recipients or accounts described in subsections [(1)(b), (c) and (d) and (2)] (1) to (3) of this section.

[(4)] (6) Notwithstanding [subsection (1)] **subsections (1) to (3)** of this section, [no] a city or county [shall] **may not** receive for any fiscal year an amount less than the amount distributed to the city or county in accordance with ORS 471.350 (1965 Replacement Part), 473.190 and 473.210 (1965 Replacement Part) and this section during the 1966-1967 fiscal year unless the city or county had a decline in population as shown by its census. If the population declined, the per capita distribution to the city or county [shall] **may** be not less than the total per capita distribution during the 1966-1967 fiscal year. Any additional funds required to maintain the level of distribution under this subsection shall be paid from funds credited under subsection [(1)(a)] (2)(a) of this section.

[(5)] (7) Notwithstanding [subsection (1)] **subsections (1) to (3)** of this section, amounts to be distributed from the Oregon Liquor and Cannabis Commission Account that are attributable to a per bottle surcharge imposed by the Oregon Liquor and Cannabis Commission, shall be credited to the General Fund.

**SECTION 11.** ORS 471.805 is amended to read:

471.805. (1)(a) Except as otherwise provided in subsection (3) of this section and ORS 471.810 [(2)] (4), all moneys collected by the Oregon Liquor and Cannabis Commission under this chapter and ORS chapter 473 and as privilege taxes shall be remitted to the State Treasurer who shall credit the moneys to a suspense account of the commission. Whenever the commission determines that the commission has received moneys in excess of the amount legally due and payable to the commission, that the commission has received moneys to which the commission has no legal interest or that any license fee or deposit is properly refundable, the commission is authorized and directed to refund such moneys by check drawn upon the State Treasurer and charged to the suspense account of the commission.

(b) After withholding refundable license fees and a sum, not to exceed \$250,000, as the commission considers necessary as a revolving fund for a working cash balance for the purpose of paying travel expenses, advances, other miscellaneous bills and extraordinary items which are payable in cash immediately upon presentation, the commission shall direct the State Treasurer to transfer the moneys remaining in the suspense account to the Oregon Liquor and Cannabis Commission Account in the General Fund. Moneys in the Oregon Liquor and Cannabis Commission Account are continuously appropriated to the commission to be distributed and used as required or allowed by law.

(2) All necessary expenditures of the commission incurred in carrying out the purposes required of the commission by law, including the salaries of the commission's employees, purchases made by the commission and such sums necessary to reimburse the \$250,000 revolving fund, shall be audited and paid from the Oregon Liquor and Cannabis Commission Account in the General Fund, upon warrants drawn by the Oregon Department of Administrative Services, pursuant to claims duly approved by the commission.

(3)(a) Moneys from the retail sale of distilled liquor that are being held by an agent appointed under ORS 471.750 or by a distillery retail outlet agent appointed under ORS 471.230 are not subject to ORS 295.001 to 295.108 if the agent has on deposit with the commission an amount equaling or exceeding an amount the commission, in the commission's discretion, deems to be reasonable and sufficient and that is not less than the average daily gross cash and check receipts from retail sales of distilled liquor by the agent.

(b) The commission shall remit moneys deposited with the commission under this subsection to the State Treasurer for deposit to a separate reserve account of the commission. Moneys in the reserve account are not revenue of the commission for purposes of ORS 221.770. The commission shall return the deposit, and any interest earned on the deposit, if the appointment of the agent terminates and the agent has forwarded to the commission all moneys owed the commission from retail sales of distilled liquor by the agent.

(c) An agent described in paragraph (a) of this subsection shall make the deposits and report the receipts described in paragraph (a) of this subsection to the commission on a monthly basis. The commission may adopt rules to carry out this paragraph.

## TAXATION OF CRAFT LOW-PROOF SPIRIT BEVERAGES

**SECTION 12.** Sections 13 and 14 of this 2026 Act are added to and made a part of ORS chapter 473.

**SECTION 13.** (1) As used in this section, "craft low-proof spirit distiller" and "low-proof spirit beverage" have the meanings given those terms in ORS 471.001.

(2) A tax is imposed on the privilege of engaging in business as a manufacturer or importing distributor of low-proof spirit beverages. The tax shall be:

(a) Seven dollars per gallon of low-proof spirit beverage manufactured or imported by a craft low-proof spirit distiller.

(b) Eleven dollars per gallon of low-proof spirit beverage manufactured or imported by other than a craft low-proof spirit distiller.

(3) In computing the privilege tax imposed under this section:

(a) A low-proof spirit beverage is not subject to tax more than once.

(b) A tax may not be levied, collected or imposed upon any low-proof spirit beverage sold to the Oregon Liquor and Cannabis Commission or exported from this state.

(c) A tax may not be levied, collected or imposed upon any low-proof spirit beverage given away and consumed on the licensed premises of a distillery licensee, or sold to or by a voluntary nonincorporated organization of army, air corps or navy personnel operating a place for the sale of goods pursuant to regulations promulgated by the proper authority of each such service.

(d) A tax may not be levied, collected or imposed upon any low-proof spirit beverage determined by the commission to be unfit for human consumption or unsalable.

**SECTION 14.** (1) Beginning January 1, 2026, the Department of Revenue shall annually adjust the rates of tax imposed under section 13 of this 2026 Act according to the cost-of-living adjustment for the calendar year. The department shall make this adjustment by multiplying the amounts in section 13 (2) of this 2026 Act by the percentage (if any) by which the monthly averaged U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly averaged U.S. City

1 **Average Consumer Price Index for the 12 consecutive months ending August 31, 2025.**

2 (2) **As used in this subsection, “U.S. City Average Consumer Price Index” means the U.S.**  
 3 **City Average Consumer Price Index for All Urban Consumers (All Items) as published by the**  
 4 **Bureau of Labor Statistics of the United States Department of Labor.**

5 (3) **Notwithstanding subsection (1) of this section, the amount of increase calculated un-**  
 6 **der subsection (1) of this section may not exceed one percent for any adjustment made on**  
 7 **or after January 1, 2030.**

8 **SECTION 15.** ORS 473.060 is amended to read:

9 473.060. (1) The privilege taxes imposed by ORS 473.030 and 473.035 **and section 13 of this 2026**  
 10 **Act** shall be paid to the Oregon Liquor and Cannabis Commission. The taxes covering the periods  
 11 for which statements are required to be rendered by ORS 473.070 shall be paid before the time for  
 12 filing such statements expires or, as concerns wines, on or before the 20th day of the month after  
 13 such wines have been withdrawn from federal bond. If not so paid, a penalty of 10 percent and in-  
 14 terest at the rate of one percent a month or fraction of a month shall be added and collected. The  
 15 commission may refund any tax payment imposed upon or paid in error by any licensee or holder  
 16 of a direct to retailer permit issued under ORS 471.274 or a direct shipper permit issued under ORS  
 17 471.282, and may waive the collection or refund the payment of any tax imposed and collected on  
 18 wine, cider or malt beverages subsequently exported from this state, sold to a federal  
 19 instrumentality or to the commission, or determined by the commission to be unfit for human con-  
 20 sumption or unsalable.

21 (2) The commission may waive any interest or penalty assessed to a manufacturer or holder of  
 22 a permit described in subsection (1) of this section subject to the tax imposed under ORS 473.030  
 23 or 473.035 **or section 13 of this 2026 Act** if the commission, in its discretion, determines that the  
 24 manufacturer or permit holder has made a good faith attempt to comply with the requirements of  
 25 this chapter.

26 (3) Except in the case of fraud, the commission may not assess any interest or penalty on any  
 27 tax due under ORS 473.030 or 473.035 **or section 13 of this 2026 Act** following the expiration of  
 28 36 months from the date on which was filed the statement required under ORS 473.070 reporting the  
 29 quantity of wine, cider or malt beverages upon which the tax is due.

30 (4) A manufacturer or holder of a permit described in subsection (1) of this section may appeal  
 31 a tax imposed under ORS 473.030 or 473.035 **or section 13 of this 2026 Act** in the manner of a  
 32 contested case under ORS chapter 183.

33 **SECTION 16.** ORS 430.256 is amended to read:

34 430.256. (1) The Director of the Oregon Health Authority shall administer alcohol and drug  
 35 abuse programs, including but not limited to programs or components of programs described in ORS  
 36 430.397 to 430.401 and 475.225 and ORS chapters 430 and 801 to 822.

37 (2) Subject to ORS 417.300 and 417.305, the director shall:

38 (a) Report to the Alcohol and Drug Policy Commission on accomplishments and issues occurring  
 39 during each biennium, and report on a new biennial plan describing resources, needs and priorities  
 40 for all alcohol and drug abuse programs.

41 (b) Develop within the Oregon Health Authority priorities for alcohol and drug abuse programs  
 42 and activities.

43 (c) Conduct statewide and special planning processes that provide for participation from state  
 44 and local agencies, groups and individuals.

45 (d) Identify the needs of special populations including minorities, elderly, youth, women and in-

dividuals with disabilities.

(e) Subject to ORS chapter 183, adopt such rules as are necessary for the performance of the duties and functions specified by this section.

(3) The director may apply for, receive and administer funds, including federal funds and grants, from sources other than the state. Subject to expenditure limitation set by the Legislative Assembly, funds received under this subsection may be expended by the director:

(a) For the study, prevention or treatment of alcohol and drug abuse and dependence in this state.

(b) To provide training, both within this state and in other states, in the prevention and treatment of alcohol and drug abuse and dependence.

(4) The director shall, in consultation with state agencies and counties, establish guidelines to coordinate program review and audit activities by state agencies and counties that provide funds to alcohol and drug prevention and treatment programs. The purpose of the guidelines is to minimize duplication of auditing and program review requirements imposed by state agencies and counties on alcohol and drug prevention and treatment programs that receive state funds, including programs that receive **revenues from** beer and wine tax [revenues] **and low-proof spirit beverage tax** under ORS 430.380 and 471.810.

**SECTION 17.** ORS 471.155 is amended to read:

471.155. (1) The Oregon Liquor and Cannabis Commission shall provide for the licensing of persons and cities within the state to manufacture, distribute, take orders for and sell spirits, wines, beer and other alcoholic liquors. Except as provided in subsection (2) of this section, the holder of a brewery, winery, wholesale, warehouse, grower sales privilege or brewery-public house license or the holder of a direct to retailer permit shall give, and at all times maintain on file with the commission, a bond with a corporate surety authorized to transact business in this state. The bond shall be in form and amount acceptable to the commission, shall be payable to the commission and conditioned that the licensee or permittee will pay any fine imposed for any violation of any provision of the Liquor Control Act and that the licensee or permittee will pay all license fees, privilege taxes, taxes imposed under ORS 473.045 and other taxes on alcoholic liquors, together with penalties and interest thereon, levied or assessed against the licensee or permittee under statutes relating to the importation, manufacture, distribution, sale or taxation of alcoholic liquors in the State of Oregon.

(2) Under such conditions as the commission may prescribe, the holder of a brewery, winery, wholesale, warehouse, grower sales privilege or brewery-public house license or the holder of a direct to retailer permit may deposit, in lieu of the bond required by subsection (1) of this section, the equivalent value in cash, bank letters of credit recognized by the State Treasurer or negotiable securities of a character approved by the State Treasurer. The deposit is to be made in a bank or trust company for the benefit of the commission. Interest on deposited funds or securities shall accrue to the depositor.

**(3) The bonding provisions of this section do not apply to section 13 of this 2026 Act.**

**SECTION 18.** ORS 473.070 is amended to read:

473.070. (1) On or before the 20th day of each month:

(a) Every manufacturer shall file with the Oregon Liquor and Cannabis Commission a statement of the quantity of wine, cider [and], malt beverages **and low-proof spirit beverages** produced, purchased or received by the manufacturer during the preceding calendar month.

(b) Every holder of a direct to retailer permit issued under ORS 471.274 shall file with the commission a statement of the quantity of wine, cider [and], malt beverages **and low-proof spirit**

1 **beverages** the holder transported to the holder of a license issued under ORS 471.175, 471.178,  
2 471.186, 471.190 or 471.200 during the preceding calendar month.

3 (c) Every holder of a direct shipper permit issued under ORS 471.282 shall file with the com-  
4 mission a statement of the quantity of wine, cider, [and] malt beverages **and low-proof spirit**  
5 **beverages** the holder delivered directly to an Oregon resident during the preceding three calendar  
6 months.

7 (2) Notwithstanding subsection (1) of this section, a manufacturer of wine, the holder of a direct  
8 to retailer permit or the holder of a direct shipper permit that was not liable for a privilege tax  
9 under this chapter in the prior calendar year and that does not expect to be liable for a privilege  
10 tax under this chapter in the current calendar year, or a manufacturer of wine, the holder of a di-  
11 rect to retailer permit or the holder of a direct shipper permit that is newly established during the  
12 current calendar year and that does not expect to be liable for a privilege tax under this chapter  
13 in the current calendar year, may file a single annual statement of the quantity of wine produced,  
14 purchased or received by the manufacturer, the holder of a direct to retailer permit or the holder  
15 of a direct shipper permit during the current calendar year. The annual statement shall be filed with  
16 the commission on or before January 20 of the following year.

17 (3) The commission shall by rule establish procedures that allow manufacturers, importing dis-  
18 tributors, holders of direct to retailer permits and holders of direct shipper permits to use electronic  
19 means to:

20 (a) File statements required under this section; and

21 (b) Pay privilege taxes imposed by ORS 473.030 and 473.035.

22 **SECTION 19.** ORS 473.080 is amended to read:

23 473.080. If any manufacturer or holder of a direct to retailer permit issued under ORS 471.274  
24 or a direct shipper permit issued under ORS 471.282 fails, neglects or refuses to file a statement  
25 required by ORS 473.070 or files a false statement, the Oregon Liquor and Cannabis Commission  
26 shall estimate the amount of wine, cider [and], malt beverages **and low-proof spirit beverages**  
27 produced, purchased or received by the manufacturer or permit holder and assess the privilege tax  
28 thereon. The manufacturer or permit holder shall be estopped from complaining of the amount so  
29 estimated.

30 **SECTION 20.** ORS 473.090 is amended to read:

31 473.090. The privilege tax required to be paid by ORS 473.030 and 473.035 **and section 13 of this**  
32 **2026 Act** constitutes a lien upon, and has the effect of an execution duly levied against, any and  
33 all property of the manufacturer or the holder of a direct to retailer permit issued under ORS  
34 471.274 or a direct shipper permit issued under ORS 471.282, attaching at the time the beverages  
35 subject to the tax were produced, purchased or received, as the case may be, and remaining until  
36 the tax is paid or the property sold in payment thereof. The lien created by this section is para-  
37 mount to all private liens or encumbrances.

38 **SECTION 21.** ORS 473.100 is amended to read:

39 473.100. (1) Whenever any manufacturer or holder of a direct to retailer permit issued under  
40 ORS 471.274 or a direct shipper permit issued under ORS 471.282 is delinquent in the payment of  
41 the privilege tax provided for in ORS 473.030 and 473.035 **and section 13 of this 2026 Act**, the  
42 Oregon Liquor and Cannabis Commission or its duly authorized representative shall seize any  
43 property subject to the tax and sell, at public auction, property so seized, or a sufficient portion  
44 thereof to pay the privilege tax due, together with any penalties imposed under ORS 473.060 for such  
45 delinquency and all costs incurred on account of the seizure and sale.

(2) Written notice of the intended sale and the time and place thereof, shall be given to such delinquent manufacturer or holder of a permit described in subsection (1) of this section and to all persons appearing of record to have an interest in the property, at least 10 days before the date set for the sale. The notice shall be enclosed in an envelope addressed to the manufacturer or permit holder at the last-known residence or place of business of the manufacturer or permit holder in this state, if any, and in the case of any person appearing of record to have an interest in such property, addressed to such person at the last-known place of residence of the person, if any. The envelope shall be deposited in the United States mail, postage prepaid. In addition, notice shall be published for at least 10 days before the date set for such sale, in a newspaper of general circulation published in the county in which the property seized is to be sold. If there is no newspaper of general circulation in such county, the notice shall be posted in three public places in such county for the 10-day period. The notice shall contain a description of the property to be sold, a statement of the amount of the privilege taxes, penalties and costs, the name of the manufacturer or permit holder and the further statement that, unless the privilege taxes, penalties and costs are paid on or before the time fixed in the notice for the sale, the property, or so much thereof as may be necessary, will be sold in accordance with law and the notice.

**SECTION 22.** ORS 473.140 is amended to read:

473.140. Every manufacturer and holder of a direct to retailer permit issued under ORS 471.274 or a direct shipper permit issued under ORS 471.282 shall keep a complete and accurate record of all sales of wine, cider *[and]*, malt beverages **and low-proof spirit beverages**, a complete and accurate record of the number of gallons imported, produced, purchased, manufactured, brewed, fermented or delivered, and the date of importation, production, purchase, manufacturing, brewing, fermentation or delivery. The records must be in the form and contain other information as the Oregon Liquor and Cannabis Commission may prescribe. The commission, by rule or regulation, may require the delivery of statements by distributors to purchasers, with wine, cider *[and]*, malt beverages **and low-proof spirit beverages**, and prescribe the matters to be contained in the statements. The records and statements must be preserved by the distributor and the purchaser respectively, for a period of three years, and must be offered for inspection at any time upon oral or written demand by the commission or its duly authorized agents.

**SECTION 23.** ORS 473.150 is amended to read:

473.150. (1) The Oregon Liquor and Cannabis Commission may, at any time, examine the books and records of a holder of a direct to retailer permit issued under ORS 471.274 or direct shipper permit issued under ORS 471.282 or of any manufacturer of wine, cider *[or]*, malt beverages **or low-proof spirit beverages**, and may appoint auditors, investigators and other employees that the commission considers necessary to enforce its powers and perform its duties under this section.

(2) Every holder of a direct to retailer permit or direct shipper permit and every manufacturer shall maintain and keep for three years all records, books and accounts required by this chapter and shall provide copies of those records, books and accounts to the commission when requested by the commission.

**SECTION 24.** ORS 473.160 is amended to read:

473.160. Every person transporting wine, cider *[or]*, malt beverages **or low-proof spirit beverages** within this state, whether *[such]* **the** transportation originates within or without this state, shall keep a true and accurate record of *[wine, cider or malt]* **the** beverages transported. The record shall include ingredients which may be used in the manufacture, production, brewing or fermentation of the *[wine, cider or malt]* beverages, showing such facts with relation to those

1 beverages, their ingredients and their transportation, as the Oregon Liquor and Cannabis Commis-  
 2 sion may require. The records shall be open to inspection by the representative of the commission  
 3 at any time. The commission may require from any such person sworn returns of all or any part of  
 4 the information shown by the records.

5 **SECTION 25.** ORS 473.170 is amended to read:

6 473.170. (1) A manufacturer or a holder of a direct to retailer permit issued under ORS 471.274  
 7 or a direct shipper permit issued under ORS 471.282 may not:

8 (a) Fail to pay the privilege tax prescribed in ORS 473.030 and 473.035 **and section 13 of this**  
 9 **2026 Act** when it is due; or

10 (b) Falsify the statement required by ORS 473.070.

11 (2) A person may not:

12 (a) Refuse to permit the Oregon Liquor and Cannabis Commission or any of its representatives  
 13 to make an inspection of the books and records authorized by ORS 473.140 to 473.160;

14 (b) Fail to keep books of account prescribed by the commission or required by this chapter;

15 (c) Fail to preserve the books for three years for inspection of the commission; or

16 (d) Alter, cancel or obliterate entries in the books of account for the purpose of falsifying any  
 17 record required by this chapter to be made, maintained or preserved.

18 **SECTION 26.** ORS 473.065 is amended to read:

19 473.065. (1) If the total tax liability under ORS 473.030 (1) of a manufacturer or holder of a direct  
 20 to retailer permit issued under ORS 471.274 or a direct shipper permit issued under ORS 471.282 in  
 21 the previous calendar year was less than \$1,000, the manufacturer or permit holder may deposit with  
 22 the Oregon Liquor and Cannabis Commission an amount in cash equal to the manufacturer's or  
 23 permit holder's total tax liability under ORS 473.030 (1) for the previous calendar year in lieu of the  
 24 bond required by ORS 471.155 (1).

25 (2) If the actual tax liability under ORS 473.030 (1) of a manufacturer or holder of a permit de-  
 26 scribed in subsection (1) of this section is less than the amount deposited under subsection (1) of this  
 27 section, the manufacturer or permit holder may request that the commission refund the excess funds  
 28 or may apply those funds toward the manufacturer's or permit holder's tax liability under ORS  
 29 473.030 (1) for the next calendar year.

30 (3) If the actual tax liability under ORS 473.030 (1) of a manufacturer or holder of a permit de-  
 31 scribed in subsection (1) of this section is greater than the amount deposited under subsection (1)  
 32 of this section, the manufacturer or permit holder shall pay to the commission the additional amount  
 33 owed in the manner required under ORS 473.060.

34 (4) Unless the commission determines that a winery, grower sales privilege or warehouse  
 35 licensee or direct shipper or direct to retailer permit holder presents an unusual risk for nonpay-  
 36 ment of any license fees, privilege taxes, agricultural products taxes or other tax, penalty or interest  
 37 imposed under this chapter or ORS chapter 471, the commission shall waive the bond required under  
 38 ORS 471.155 (1) for the licensee or permit holder if:

39 (a) The licensee or permit holder was not liable for a privilege tax under this chapter in the  
 40 immediately preceding calendar year and does not expect to be liable for a privilege tax under this  
 41 chapter in the current calendar year; or

42 (b) The licensee or permit holder of a business established during the current calendar year does  
 43 not expect to be liable for a privilege tax under this chapter in the current calendar year. As used  
 44 in this paragraph, "business" means:

45 (A) A winery.



(B) A business operated pursuant to a license issued under ORS 471.227.

(C) A warehouse.

(D) A business operated pursuant to a permit issued under ORS 471.274.

(E) A business operated pursuant to a permit issued under ORS 471.282.

**(5) This section does not apply to section 13 of this 2026 Act.**

**SECTION 27.** ORS 317A.100, as amended by section 6, chapter 502, Oregon Laws 2025, is amended to read:

317A.100. As used in ORS 317A.100 to 317A.158:

(1)(a) “Commercial activity” means:

(A) The total amount realized by a person, arising from transactions and activity in the regular course of the person’s trade or business, without deduction for expenses incurred by the trade or business;

(B) If received by a financial institution:

(i) If the reporting person for a financial institution is a holding company, all items of income reported on the FR Y-9 filed by the holding company;

(ii) If the reporting person for a financial institution is a bank organization, all items of income reported on the call report filed by the bank organization; and

(iii) If the reporting person for a financial institution is a nonbank financial organization, all items of income reported in accordance with generally accepted accounting principles; and

(C)(i) If received by an insurer, as reported on the statement of premiums accompanying the annual statement required under ORS 731.574 to be filed with the Director of the Department of Consumer and Business Services, all gross direct life insurance premiums, gross direct accident and health insurance premiums and gross direct property and casualty insurance premiums; and

(ii) The gross amount of surplus lines premiums received on Oregon home state risks as shown in the report required by ORS 735.465.

(b) “Commercial activity” does not include:

(A) Interest income except:

(i) Interest on credit sales; or

(ii) Interest income, including service charges, received by financial institutions;

(B) Receipts from the sale, exchange or other disposition of an asset described in section 1221 or 1231 of the Internal Revenue Code, without regard to the length of time the person held the asset;

(C) If received by an insurer, federally reinsured premiums or income from transactions between a reciprocal insurer and its attorney in fact operating under ORS 731.142;

(D) Receipts from hedging transactions, to the extent that the transactions are entered into primarily to protect a financial position, including transactions intended to manage the risk of exposure to foreign currency fluctuations that affect assets, liabilities, profits, losses, equity or investments in foreign operations, risk of exposure to interest rate fluctuations or risk of commodity price fluctuations;

(E) Proceeds received attributable to the repayment, maturity or redemption of the principal of a loan, bond, mutual fund, certificate of deposit or marketable instrument;

(F) The principal amount received under a repurchase agreement or on account of any transaction properly characterized as a loan to the person;

(G) Contributions received by a trust, plan or other arrangement, any of which is described in section 501(a) of the Internal Revenue Code, or to which title 26, subtitle A, chapter 1, subchapter (D) of the Internal Revenue Code applies;

(H) Compensation, whether current or deferred, and whether in cash or in kind, received or to be received by an employee, a former employee or the employee's legal successor for services rendered to or for an employer, including reimbursements received by or for an individual for medical or education expenses, health insurance premiums or employee expenses or on account of a dependent care spending account, legal services plan, any cafeteria plan described in section 125 of the Internal Revenue Code or any similar employee reimbursement;

(I) Proceeds received from the issuance of the taxpayer's own stock, options, warrants, puts or calls, or from the sale of the taxpayer's treasury stock;

(J) Proceeds received on the account of payments from insurance policies, including crop insurance policies, owned by the taxpayer, except those proceeds received for the loss of commercial activity;

(K) Gifts or charitable contributions received, membership dues received by trade, professional, homeowners' or condominium associations, payments received for educational courses, meetings or meals, or similar payments to a trade, professional or other similar association, and fundraising receipts received by any person when any excess receipts are donated or used exclusively for charitable purposes;

(L) Damages received as the result of litigation in excess of amounts that, if received without litigation, would be treated as commercial activity;

(M) Property, money and other amounts received or acquired by an agent on behalf of another in excess of the agent's commission, fee or other remuneration;

(N) Tax refunds from any tax program, other tax benefit recoveries and reimbursements for the tax imposed under ORS 317A.100 to 317A.158 made by entities that are part of the same unitary group as provided under ORS 317A.106, and reimbursements made by entities that are not members of a unitary group that are required to be made for economic parity among multiple owners of an entity whose tax obligation under ORS 317A.100 to 317A.158 is required to be reported and paid entirely by one owner, as provided in ORS 317A.106;

(O) Pension reversions;

(P) Contributions to capital;

(Q) Receipts from the sale, transfer, exchange or other disposition of motor vehicle fuel or any other product used for the propulsion of motor vehicles;

(R) In the case of receipts from the sale of cigarettes or tobacco products by a wholesale dealer, retail dealer, distributor, manufacturer or seller, an amount equal to the federal and state excise taxes paid by any person on or for such cigarettes or tobacco products under subtitle E of the Internal Revenue Code or ORS chapter 323;

(S) In the case of receipts from the sale of malt beverages [*or*], wine **or low-proof spirit beverages**, as defined in ORS 471.001, cider, as defined in ORS 471.023 or distilled liquor, as defined in ORS 471.001, by a person holding a license issued under ORS chapter 471, an amount equal to the federal and state excise taxes paid by any person on or for such malt beverages, wine [*or*], distilled liquor **or low-proof spirit beverages** under subtitle E of the Internal Revenue Code or ORS chapter 471 or 473, and any amount paid to the Oregon Liquor and Cannabis Commission for sales of distilled spirits by an agent appointed under ORS 471.750;

(T) In the case of receipts from the sale of marijuana items, as defined in ORS 475C.009, by a person holding a license issued under ORS 475C.005 to 475C.525, an amount equal to the federal and state excise taxes paid by any person on or for such marijuana items under subtitle E of the Internal Revenue Code or ORS 475C.670 to 475C.734 and any local retail taxes authorized under ORS

1 475C.453;

2 (U) Local taxes collected by a restaurant or other food establishment on sales of meals, prepared  
3 food or beverages;

4 (V) Tips or gratuities collected by a restaurant or other food establishment and passed on to  
5 employees;

6 (W) Receipts realized by a vehicle dealer certified under ORS 822.020 or a person described in  
7 ORS 320.400 (8)(a)(B) from the sale or other transfer of a motor vehicle, as defined in ORS 801.360,  
8 to another vehicle dealer for the purpose of resale by the transferee vehicle dealer, but only if the  
9 sale or other transfer was based upon the transferee's need to meet a specific customer's preference  
10 for a motor vehicle or is an exchange of new vehicles between franchised motor vehicle dealerships;

11 (X) Registration fees or taxes collected by a vehicle dealer certified under ORS 822.020 or a  
12 person described in ORS 320.400 (8)(a)(B) at the sale or other transfer of a motor vehicle, as defined  
13 in ORS 801.360, that are owed to a third party by the purchaser of the motor vehicle and passed to  
14 the third party by the dealer;

15 (Y) Receipts from a financial institution for services provided to the financial institution in  
16 connection with the issuance, processing, servicing and management of loans or credit accounts, if  
17 the financial institution and the recipient of the receipts have at least 50 percent of their ownership  
18 interests owned or controlled, directly or constructively through related interests, by common own-  
19 ers;

20 (Z) In the case of amounts retained as commissions by a holder of a license under ORS chapter  
21 462, an amount equal to the amounts specified under ORS chapter 462 that must be paid to or col-  
22 lected by the Department of Revenue as a tax and the amounts specified under ORS chapter 462 to  
23 be used as purse money;

24 (AA) Receipts of residential care facilities as defined in ORS 443.400 or in-home care agencies  
25 as defined in ORS 443.305, to the extent that the receipts are derived from or received as compen-  
26 sation for providing services to a medical assistance or Medicare recipient;

27 (BB) Dividends received;

28 (CC) Distributive income received from a pass-through entity;

29 (DD) Receipts from sales to a wholesaler in this state, if the seller receives certification at the  
30 time of sale from the wholesaler that the wholesaler will sell the purchased property outside this  
31 state;

32 (EE) Receipts from the wholesale or retail sale of groceries, including receipts of a person that  
33 owns groceries at the time of sale and compensation of any consignee engaged in effecting the sale  
34 of groceries on behalf the owner of the groceries, but only to the extent that the compensation re-  
35 lates to grocery sales;

36 (FF) Receipts from transactions among members of a unitary group;

37 (GG) Moneys, including public purpose charge moneys collected under ORS 757.612 and moneys  
38 collected to plan for and pursue cost-effective energy efficiency resources under ORS 757.054, that  
39 are collected from customers, passed to a utility and approved by the Public Utility Commission and  
40 that support energy conservation, renewable resource acquisition and low-income assistance pro-  
41 grams;

42 (HH) Moneys collected by a utility from customers for the payment of loans through on-bill fi-  
43 nancing;

44 (II) Surcharges collected under ORS 757.736;

45 (JJ) Moneys passed to a utility by the Bonneville Power Administration for the purpose of

1 effectuating the Regional Power Act Exchange credits or pursuant to any settlement associated with  
2 the exchange credit;

3 (KK) Moneys collected or recovered, by entities listed in ORS 756.310, cable operators as de-  
4 fined in 47 U.S.C. 522(5), telecommunications carriers as defined in 47 U.S.C. 153(51) and providers  
5 of information services as defined in 47 U.S.C. 153(24), for fees payable under ORS 756.310, right-of-  
6 way fees, franchise fees, privilege taxes, federal taxes and local taxes;

7 (LL) Charges assessed under ORS 759.685 and paid into the Residential Service Protection Fund;

8 (MM) Universal service surcharge moneys collected or recovered and paid into the universal  
9 service fund established in ORS 759.425;

10 (NN) Moneys collected for public purpose funding as described in ORS 759.430;

11 (OO) Moneys collected or recovered and paid into the federal universal service fund as deter-  
12 mined by the Federal Communications Commission;

13 (PP) In the case of a seller or provider of telecommunications services, the amount of tax im-  
14 posed under ORS 403.200 for access to the emergency communications system that is collected from  
15 subscribers or consumers;

16 (QQ) In the case of a transient lodging tax collector, the amount of tax imposed under ORS  
17 320.305 and of any local transient lodging tax imposed upon the occupancy of transit lodging;

18 (RR) In the case of a seller of bicycles, the amount of tax imposed under ORS 320.415 upon retail  
19 sales of bicycles;

20 (SS) In the case of a qualified heavy equipment provider, the amount of tax imposed under ORS  
21 307.872 upon the rental price of heavy equipment;

22 (TT) Farmer sales to an agricultural cooperative in this state that is a cooperative organization  
23 described in section 1381 of the Internal Revenue Code;

24 (UU) Revenue received by a business entity that is mandated by contract or subcontract to be  
25 distributed to another person or entity if the revenue constitutes sales commissions that are paid  
26 to a person who is not an employee of the business entity, including, without limitation, a split-fee  
27 real estate commission;

28 (VV) Receipts from the sale of fluid milk by dairy farmers that are not members of an agricul-  
29 tural cooperative; and

30 (WW)(i) Cost paid by a dealer for items of precious metal.

31 (ii) As used in this subparagraph, "item of precious metal" means an item of gold, silver,  
32 platinum, rhodium or palladium that has been put through a process of smelting or refining and that  
33 is in a state or condition that its value depends on its contents and not its form.

34 (2) "Cost inputs" means:

35 (a) The cost of goods sold as calculated in arriving at federal taxable income under the Internal  
36 Revenue Code; or

37 (b) In the case of a taxpayer that is engaged in a farming operation, as defined in ORS 317A.102,  
38 and that does not report cost of goods sold for federal tax purposes, the taxpayer's operating ex-  
39 penses excluding labor costs.

40 (3) "Doing business" means engaging in any activity, whether legal or illegal, that is conducted  
41 for, or results in, the receipt of commercial activity at any time during a calendar year.

42 (4) "Excluded person" means any of the following:

43 (a) Organizations described in sections 501(c) and 501(j) of the Internal Revenue Code, unless the  
44 exemption is denied under section 501(h), (i) or (m) or under section 502, 503 or 505 of the Internal  
45 Revenue Code.

1 (b) Organizations described in section 501(d) of the Internal Revenue Code, unless the exemption  
2 is denied under section 502 or 503 of the Internal Revenue Code.

3 (c) Organizations described in section 501(e) of the Internal Revenue Code.

4 (d) Organizations described in section 501(f) of the Internal Revenue Code.

5 (e) Charitable risk pools described in section 501(n) of the Internal Revenue Code.

6 (f) Organizations described in section 521 of the Internal Revenue Code.

7 (g) Qualified state tuition programs described in section 529 of the Internal Revenue Code.

8 (h) Foreign or alien insurance companies, but only with respect to the underwriting profit de-  
9 rived from writing wet marine and transportation insurance subject to tax under ORS 731.824 and  
10 731.828 or if an insurance company is subject to the retaliatory tax under ORS 731.854 and 731.859.

11 (i) Governmental entities.

12 (j) Any person with commercial activity that does not exceed \$750,000 for the tax year, other  
13 than a person that is part of a unitary group as provided in ORS 317A.106 with commercial activity  
14 in excess of \$750,000.

15 (k) Hospitals subject to assessment under ORS 414.855, long term care facilities subject to as-  
16 sessment under ORS 409.801 or any entity subject to assessment under ORS 414.880 or section 3 or  
17 5, chapter 538, Oregon Laws 2017.

18 (L) Manufactured dwelling park nonprofit cooperatives organized under ORS chapter 62.

19 (5) "Financial institution" has the meaning given that term in ORS 314.610, except that "finan-  
20 cial institution" does not include a credit union.

21 (6)(a) "FR Y-9" means the consolidated or parent-only financial statements that a holding com-  
22 pany is required to file with the Federal Reserve Board pursuant to 12 U.S.C. 1844.

23 (b) In the case of a holding company required to file both consolidated and parent-only financial  
24 statements, "FR Y-9" means the consolidated financial statements that the holding company is re-  
25 quired to file.

26 (7) "Governmental entity" means:

27 (a) The United States and any of its unincorporated agencies and instrumentalities.

28 (b) Any incorporated agency or instrumentality of the United States wholly owned by the United  
29 States or by a corporation wholly owned by the United States.

30 (c) The State of Oregon and any of its unincorporated agencies and instrumentalities.

31 (d) Any county, city, district or other political subdivision of the state.

32 (e) A special government body as defined in ORS 174.117.

33 (f) A federally recognized Indian tribe.

34 (8) "Groceries" means food as defined in 7 U.S.C. 2012(k), but does not include cannabinoid  
35 edibles or marijuana seeds.

36 (9)(a) "Hedging transaction" means a hedging transaction as defined in section 1221 of the  
37 Internal Revenue Code or a transaction accorded hedge accounting treatment under Financial Ac-  
38 counting Standards Board Statement No. 133.

39 (b) "Hedging transaction" does not include a transaction in which an actual transfer of title of  
40 real or tangible property to another entity occurs.

41 (10) "Insurer" has the meaning given that term in ORS 317.010.

42 (11) "Internal Revenue Code," except where the Legislative Assembly has provided otherwise,  
43 refers to the laws of the United States or to the Internal Revenue Code as they are amended and  
44 in effect on December 31, 2023.

45 (12) "Labor costs" means total compensation of all employees, not to include compensation paid

1 to any single employee in excess of \$500,000.

2 (13)(a) "Motor vehicle fuel or any other product used for the propulsion of motor vehicles"  
3 means:

4 (A) Motor vehicle fuel as defined in ORS 319.010; and

5 (B) Fuel the use of which in a motor vehicle is subject to taxation under ORS 319.530.

6 (b) "Motor vehicle fuel or any other product used for the propulsion of motor vehicles" does not  
7 mean:

8 (A) Electricity; or

9 (B) Electric batteries or any other mechanical or physical component or accessory of a motor  
10 vehicle.

11 (14) "Person" includes individuals, combinations of individuals of any form, receivers, assignees,  
12 trustees in bankruptcy, firms, companies, joint-stock companies, business trusts, estates, partner-  
13 ships, limited liability partnerships, limited liability companies, associations, joint ventures, clubs,  
14 societies, entities organized as for-profit corporations under ORS chapter 60, C corporations, S cor-  
15 porations, qualified subchapter S subsidiaries, qualified subchapter S trusts, trusts, entities that are  
16 disregarded for federal income tax purposes and any other entities.

17 (15) "Retailer" means a person doing business by selling tangible personal property to a pur-  
18 chaser for a purpose other than:

19 (a) Resale by the purchaser of the property as tangible personal property in the regular course  
20 of business;

21 (b) Incorporation by the purchaser of the property in the course of regular business as an in-  
22 gredient or component of real or personal property; or

23 (c) Consumption by the purchaser of the property in the production for sale of a new article of  
24 tangible personal property.

25 (16) "Taxable commercial activity" means commercial activity sourced to this state under ORS  
26 317A.128, less any subtraction pursuant to ORS 317A.119.

27 (17)(a) "Taxpayer" means any person or unitary group required to register, file or pay tax under  
28 ORS 317A.100 to 317A.158.

29 (b) "Taxpayer" does not include excluded persons, except to the extent that a tax-exempt entity  
30 has unrelated business income as described in the Internal Revenue Code.

31 (18) "Tax year" means, except as otherwise provided in ORS 317A.103, a taxpayer's annual ac-  
32 counting period used for federal income tax purposes under section 441 of the Internal Revenue  
33 Code.

34 (19)(a) "Unitary business" means a business enterprise in which there exists directly or indi-  
35 rectly between the members or parts of the enterprise a sharing or exchange of value as demon-  
36 strated by:

37 (A) Centralized management or a common executive force;

38 (B) Centralized administrative services or functions resulting in economies of scale; or

39 (C) Flow of goods, capital resources or services demonstrating functional integration.

40 (b) "Unitary business" may include a business enterprise the activities of which:

41 (A) Are in the same general line of business, such as manufacturing, wholesaling or retailing;

42 or

43 (B) Constitute steps in a vertically integrated process, such as the steps involved in the pro-  
44 duction of natural resources, which might include exploration, mining, refining and marketing.

45 (20) "Unitary group" means a group of persons with more than 50 percent common ownership,

1 either direct or indirect, that is engaged in business activities that constitute a unitary business.

2 (21) "Wholesaler" means a person primarily doing business by merchant distribution of tangible  
3 personal property to retailers or to other wholesalers.

4 **SECTION 28.** ORS 317A.100, as amended by section 20, chapter 4, Oregon Laws 2025, and sec-  
5 tion 6, chapter 502, Oregon Laws 2025, is amended to read:

6 317A.100. As used in ORS 317A.100 to 317A.158:

7 (1)(a) "Commercial activity" means:

8 (A) The total amount realized by a person, arising from transactions and activity in the regular  
9 course of the person's trade or business, without deduction for expenses incurred by the trade or  
10 business;

11 (B) If received by a financial institution:

12 (i) If the reporting person for a financial institution is a holding company, all items of income  
13 reported on the FR Y-9 filed by the holding company;

14 (ii) If the reporting person for a financial institution is a bank organization, all items of income  
15 reported on the call report filed by the bank organization; and

16 (iii) If the reporting person for a financial institution is a nonbank financial organization, all  
17 items of income reported in accordance with generally accepted accounting principles; and

18 (C)(i) If received by an insurer, as reported on the statement of premiums accompanying the  
19 annual statement required under ORS 731.574 to be filed with the Director of the Department of  
20 Consumer and Business Services, all gross direct life insurance premiums, gross direct accident and  
21 health insurance premiums and gross direct property and casualty insurance premiums; and

22 (ii) The gross amount of surplus lines premiums received on Oregon home state risks as shown  
23 in the report required by ORS 735.465.

24 (b) "Commercial activity" does not include:

25 (A) Interest income except:

26 (i) Interest on credit sales; or

27 (ii) Interest income, including service charges, received by financial institutions;

28 (B) Receipts from the sale, exchange or other disposition of an asset described in section 1221  
29 or 1231 of the Internal Revenue Code, without regard to the length of time the person held the asset;

30 (C) If received by an insurer, federally reinsured premiums or income from transactions between  
31 a reciprocal insurer and its attorney in fact operating under ORS 731.142;

32 (D) Receipts from hedging transactions, to the extent that the transactions are entered into  
33 primarily to protect a financial position, including transactions intended to manage the risk of ex-  
34 posure to foreign currency fluctuations that affect assets, liabilities, profits, losses, equity or in-  
35 vestments in foreign operations, risk of exposure to interest rate fluctuations or risk of commodity  
36 price fluctuations;

37 (E) Proceeds received attributable to the repayment, maturity or redemption of the principal of  
38 a loan, bond, mutual fund, certificate of deposit or marketable instrument;

39 (F) The principal amount received under a repurchase agreement or on account of any trans-  
40 action properly characterized as a loan to the person;

41 (G) Contributions received by a trust, plan or other arrangement, any of which is described in  
42 section 501(a) of the Internal Revenue Code, or to which title 26, subtitle A, chapter 1, subchapter  
43 (D) of the Internal Revenue Code applies;

44 (H) Compensation, whether current or deferred, and whether in cash or in kind, received or to  
45 be received by an employee, a former employee or the employee's legal successor for services ren-

1 dered to or for an employer, including reimbursements received by or for an individual for medical  
 2 or education expenses, health insurance premiums or employee expenses or on account of a de-  
 3 pendent care spending account, legal services plan, any cafeteria plan described in section 125 of  
 4 the Internal Revenue Code or any similar employee reimbursement;

5 (I) Proceeds received from the issuance of the taxpayer's own stock, options, warrants, puts or  
 6 calls, or from the sale of the taxpayer's treasury stock;

7 (J) Proceeds received on the account of payments from insurance policies, including crop in-  
 8 surance policies, owned by the taxpayer, except those proceeds received for the loss of commercial  
 9 activity;

10 (K) Gifts or charitable contributions received, membership dues received by trade, professional,  
 11 homeowners' or condominium associations, payments received for educational courses, meetings or  
 12 meals, or similar payments to a trade, professional or other similar association, and fundraising re-  
 13 cepts received by any person when any excess receipts are donated or used exclusively for chari-  
 14 table purposes;

15 (L) Damages received as the result of litigation in excess of amounts that, if received without  
 16 litigation, would be treated as commercial activity;

17 (M) Property, money and other amounts received or acquired by an agent on behalf of another  
 18 in excess of the agent's commission, fee or other remuneration;

19 (N) Tax refunds from any tax program, other tax benefit recoveries and reimbursements for the  
 20 tax imposed under ORS 317A.100 to 317A.158 made by entities that are part of the same unitary  
 21 group as provided under ORS 317A.106, and reimbursements made by entities that are not members  
 22 of a unitary group that are required to be made for economic parity among multiple owners of an  
 23 entity whose tax obligation under ORS 317A.100 to 317A.158 is required to be reported and paid  
 24 entirely by one owner, as provided in ORS 317A.106;

25 (O) Pension reversions;

26 (P) Contributions to capital;

27 (Q) Receipts from the sale, transfer, exchange or other disposition of motor vehicle fuel or any  
 28 other product used for the propulsion of motor vehicles;

29 (R) In the case of receipts from the sale of cigarettes or tobacco products by a wholesale dealer,  
 30 retail dealer, distributor, manufacturer or seller, an amount equal to the federal and state excise  
 31 taxes paid by any person on or for such cigarettes or tobacco products under subtitle E of the  
 32 Internal Revenue Code or ORS chapter 323;

33 (S) In the case of receipts from the sale of malt beverages [or], wine **or low-proof spirit**  
 34 **beverages**, as defined in ORS 471.001, cider, as defined in ORS 471.023 or distilled liquor, as defined  
 35 in ORS 471.001, by a person holding a license issued under ORS chapter 471, an amount equal to the  
 36 federal and state excise taxes paid by any person on or for such malt beverages, wine [or], distilled  
 37 liquor **or low-proof spirit beverages** under subtitle E of the Internal Revenue Code or ORS chapter  
 38 471 or 473, and any amount paid to the Oregon Liquor and Cannabis Commission for sales of dis-  
 39 tilled spirits by an agent appointed under ORS 471.750;

40 (T) In the case of receipts from the sale of marijuana items, as defined in ORS 475C.009, by a  
 41 person holding a license issued under ORS 475C.005 to 475C.525, an amount equal to the federal and  
 42 state excise taxes paid by any person on or for such marijuana items under subtitle E of the Internal  
 43 Revenue Code or ORS 475C.670 to 475C.734 and any local retail taxes authorized under ORS  
 44 475C.453;

45 (U) Local taxes collected by a restaurant or other food establishment on sales of meals, prepared



1 food or beverages;

2 (V) Tips or gratuities collected by a restaurant or other food establishment and passed on to  
3 employees;

4 (W) Receipts realized by a vehicle dealer certified under ORS 822.020 or a person described in  
5 ORS 320.400 (8)(a)(B) from the sale or other transfer of a motor vehicle, as defined in ORS 801.360,  
6 to another vehicle dealer for the purpose of resale by the transferee vehicle dealer, but only if the  
7 sale or other transfer was based upon the transferee's need to meet a specific customer's preference  
8 for a motor vehicle or is an exchange of new vehicles between franchised motor vehicle dealerships;

9 (X) Registration fees or taxes collected by a vehicle dealer certified under ORS 822.020 or a  
10 person described in ORS 320.400 (8)(a)(B) at the sale or other transfer of a motor vehicle, as defined  
11 in ORS 801.360, that are owed to a third party by the purchaser of the motor vehicle and passed to  
12 the third party by the dealer;

13 (Y) Receipts from a financial institution for services provided to the financial institution in  
14 connection with the issuance, processing, servicing and management of loans or credit accounts, if  
15 the financial institution and the recipient of the receipts have at least 50 percent of their ownership  
16 interests owned or controlled, directly or constructively through related interests, by common own-  
17 ers;

18 (Z) In the case of amounts retained as commissions by a holder of a license under ORS chapter  
19 462, an amount equal to the amounts specified under ORS chapter 462 that must be paid to or col-  
20 lected by the Department of Revenue as a tax and the amounts specified under ORS chapter 462 to  
21 be used as purse money;

22 (AA) Receipts of residential care facilities as defined in ORS 443.400 or in-home care agencies  
23 as defined in ORS 443.305, to the extent that the receipts are derived from or received as compen-  
24 sation for providing services to a medical assistance or Medicare recipient;

25 (BB) Dividends received;

26 (CC) Distributive income received from a pass-through entity;

27 (DD) Receipts from sales to a wholesaler in this state, if the seller receives certification at the  
28 time of sale from the wholesaler that the wholesaler will sell the purchased property outside this  
29 state;

30 (EE) Receipts from the wholesale or retail sale of groceries, including receipts of a person that  
31 owns groceries at the time of sale and compensation of any consignee engaged in effecting the sale  
32 of groceries on behalf the owner of the groceries, but only to the extent that the compensation re-  
33 lates to grocery sales;

34 (FF) Receipts from transactions among members of a unitary group;

35 (GG) Moneys, including public purpose charge moneys collected under ORS 757.612 and moneys  
36 collected to plan for and pursue cost-effective energy efficiency resources under ORS 757.054, that  
37 are collected from customers, passed to a utility and approved by the Public Utility Commission and  
38 that support energy conservation, renewable resource acquisition and low-income assistance pro-  
39 grams;

40 (HH) Moneys collected by a utility from customers for the payment of loans through on-bill fi-  
41 nancing;

42 (II) Surcharges collected under ORS 757.736;

43 (JJ) Moneys passed to a utility by the Bonneville Power Administration for the purpose of  
44 effectuating the Regional Power Act Exchange credits or pursuant to any settlement associated with  
45 the exchange credit;

(KK) Moneys collected or recovered, by entities listed in ORS 756.310, cable operators as defined in 47 U.S.C. 522(5), telecommunications carriers as defined in 47 U.S.C. 153(51) and providers of information services as defined in 47 U.S.C. 153(24), for fees payable under ORS 756.310, right-of-way fees, franchise fees, privilege taxes, federal taxes and local taxes;

(LL) Charges assessed under ORS 759.685 and paid into the Residential Service Protection Fund;

(MM) Universal service surcharge moneys collected or recovered and paid into the universal service fund established in ORS 759.425;

(NN) Moneys collected for public purpose funding as described in ORS 759.430;

(OO) Moneys collected or recovered and paid into the federal universal service fund as determined by the Federal Communications Commission;

(PP) In the case of a seller or provider of telecommunications services, the amount of tax imposed under ORS 403.200 for access to the emergency communications system that is collected from subscribers or consumers;

(QQ) In the case of a transient lodging tax collector, the amount of tax imposed under ORS 320.305 and of any local transient lodging tax imposed upon the occupancy of transit lodging;

(RR) In the case of a seller of bicycles, the amount of tax imposed under ORS 320.415 upon retail sales of bicycles;

(SS) In the case of a qualified heavy equipment provider, the amount of tax imposed under ORS 307.872 upon the rental price of heavy equipment;

(TT) Farmer sales to an agricultural cooperative in this state that is a cooperative organization described in section 1381 of the Internal Revenue Code;

(UU) Revenue received by a business entity that is mandated by contract or subcontract to be distributed to another person or entity if the revenue constitutes sales commissions that are paid to a person who is not an employee of the business entity, including, without limitation, a split-fee real estate commission;

(VV) Receipts from the sale of fluid milk by dairy farmers that are not members of an agricultural cooperative; and

(WW)(i) Cost paid by a dealer for items of precious metal.

(ii) As used in this subparagraph, "item of precious metal" means an item of gold, silver, platinum, rhodium or palladium that has been put through a process of smelting or refining and that is in a state or condition that its value depends on its contents and not its form.

(2) "Cost inputs" means:

(a) The cost of goods sold as calculated in arriving at federal taxable income under the Internal Revenue Code; or

(b) In the case of a taxpayer that is engaged in a farming operation, as defined in ORS 317A.102, and that does not report cost of goods sold for federal tax purposes, the taxpayer's operating expenses excluding labor costs.

(3) "Doing business" means engaging in any activity, whether legal or illegal, that is conducted for, or results in, the receipt of commercial activity at any time during a calendar year.

(4) "Excluded person" means any of the following:

(a) Organizations described in sections 501(c) and 501(j) of the Internal Revenue Code, unless the exemption is denied under section 501(h), (i) or (m) or under section 502, 503 or 505 of the Internal Revenue Code.

(b) Organizations described in section 501(d) of the Internal Revenue Code, unless the exemption is denied under section 502 or 503 of the Internal Revenue Code.

(c) Organizations described in section 501(e) of the Internal Revenue Code.

(d) Organizations described in section 501(f) of the Internal Revenue Code.

(e) Charitable risk pools described in section 501(n) of the Internal Revenue Code.

(f) Organizations described in section 521 of the Internal Revenue Code.

(g) Qualified state tuition programs described in section 529 of the Internal Revenue Code.

(h) Foreign or alien insurance companies, but only with respect to the underwriting profit derived from writing wet marine and transportation insurance subject to tax under ORS 731.824 and 731.828 or if an insurance company is subject to the retaliatory tax under ORS 731.854 and 731.859.

(i) Governmental entities.

(j) Any person with commercial activity that does not exceed \$750,000 for the tax year, other than a person that is part of a unitary group as provided in ORS 317A.106 with commercial activity in excess of \$750,000.

(k) Long term care facilities subject to assessment under ORS 409.801.

(L) Manufactured dwelling park nonprofit cooperatives organized under ORS chapter 62.

(5) “Financial institution” has the meaning given that term in ORS 314.610, except that “financial institution” does not include a credit union.

(6)(a) “FR Y-9” means the consolidated or parent-only financial statements that a holding company is required to file with the Federal Reserve Board pursuant to 12 U.S.C. 1844.

(b) In the case of a holding company required to file both consolidated and parent-only financial statements, “FR Y-9” means the consolidated financial statements that the holding company is required to file.

(7) “Governmental entity” means:

(a) The United States and any of its unincorporated agencies and instrumentalities.

(b) Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.

(c) The State of Oregon and any of its unincorporated agencies and instrumentalities.

(d) Any county, city, district or other political subdivision of the state.

(e) A special government body as defined in ORS 174.117.

(f) A federally recognized Indian tribe.

(8) “Groceries” means food as defined in 7 U.S.C. 2012(k), but does not include cannabinoid edibles or marijuana seeds.

(9)(a) “Hedging transaction” means a hedging transaction as defined in section 1221 of the Internal Revenue Code or a transaction accorded hedge accounting treatment under Financial Accounting Standards Board Statement No. 133.

(b) “Hedging transaction” does not include a transaction in which an actual transfer of title of real or tangible property to another entity occurs.

(10) “Insurer” has the meaning given that term in ORS 317.010.

(11) “Internal Revenue Code,” except where the Legislative Assembly has provided otherwise, refers to the laws of the United States or to the Internal Revenue Code as they are amended and in effect on December 31, 2023.

(12) “Labor costs” means total compensation of all employees, not to include compensation paid to any single employee in excess of \$500,000.

(13)(a) “Motor vehicle fuel or any other product used for the propulsion of motor vehicles” means:

(A) Motor vehicle fuel as defined in ORS 319.010; and

(B) Fuel the use of which in a motor vehicle is subject to taxation under ORS 319.530.

(b) "Motor vehicle fuel or any other product used for the propulsion of motor vehicles" does not mean:

(A) Electricity; or

(B) Electric batteries or any other mechanical or physical component or accessory of a motor vehicle.

(14) "Person" includes individuals, combinations of individuals of any form, receivers, assignees, trustees in bankruptcy, firms, companies, joint-stock companies, business trusts, estates, partnerships, limited liability partnerships, limited liability companies, associations, joint ventures, clubs, societies, entities organized as for-profit corporations under ORS chapter 60, C corporations, S corporations, qualified subchapter S subsidiaries, qualified subchapter S trusts, trusts, entities that are disregarded for federal income tax purposes and any other entities.

(15) "Retailer" means a person doing business by selling tangible personal property to a purchaser for a purpose other than:

(a) Resale by the purchaser of the property as tangible personal property in the regular course of business;

(b) Incorporation by the purchaser of the property in the course of regular business as an ingredient or component of real or personal property; or

(c) Consumption by the purchaser of the property in the production for sale of a new article of tangible personal property.

(16) "Taxable commercial activity" means commercial activity sourced to this state under ORS 317A.128, less any subtraction pursuant to ORS 317A.119.

(17)(a) "Taxpayer" means any person or unitary group required to register, file or pay tax under ORS 317A.100 to 317A.158.

(b) "Taxpayer" does not include excluded persons, except to the extent that a tax-exempt entity has unrelated business income as described in the Internal Revenue Code.

(18) "Tax year" means, except as otherwise provided in ORS 317A.103, a taxpayer's annual accounting period used for federal income tax purposes under section 441 of the Internal Revenue Code.

(19)(a) "Unitary business" means a business enterprise in which there exists directly or indirectly between the members or parts of the enterprise a sharing or exchange of value as demonstrated by:

(A) Centralized management or a common executive force;

(B) Centralized administrative services or functions resulting in economies of scale; or

(C) Flow of goods, capital resources or services demonstrating functional integration.

(b) "Unitary business" may include a business enterprise the activities of which:

(A) Are in the same general line of business, such as manufacturing, wholesaling or retailing;

or

(B) Constitute steps in a vertically integrated process, such as the steps involved in the production of natural resources, which might include exploration, mining, refining and marketing.

(20) "Unitary group" means a group of persons with more than 50 percent common ownership, either direct or indirect, that is engaged in business activities that constitute a unitary business.

(21) "Wholesaler" means a person primarily doing business by merchant distribution of tangible personal property to retailers or to other wholesalers.

## CAPTIONS

**SECTION 29.** The unit captions used in this 2026 Act are provided only for the convenience of the reader and do not become part of the statutory law of this state or express any legislative intent in the enactment of this 2026 Act.

## OPERATIVE DATE

**SECTION 30.** (1) Sections 2 to 5 of this 2026 Act and the amendments to ORS 471.001, 471.175 and 471.230 by sections 6, 7 and 8 of this 2026 Act become operative on September 1, 2026.

(2) The Oregon Liquor and Cannabis Commission may take any action before the operative date specified in subsection (1) of this section that is necessary to enable the commission to exercise, on and after the operative date specified in subsection (1) of this section, all of the duties, functions and powers conferred on the commission by sections 2 to 5 of this 2026 Act and the amendments to ORS 471.001, 471.175 and 471.230 by sections 6, 7 and 8 of this 2026 Act.

## APPLICABLE DATE

**SECTION 31.** Sections 13 and 14 of this 2026 Act and the amendments to ORS 317A.100, 430.256, 471.155, 471.810, 473.060, 473.065, 473.070, 473.080, 473.090, 473.100, 473.140, 473.150, 473.160 and 473.170 by sections 10 and 15 to 28 of this 2026 Act apply to distributions of low-proof spirit beverages on or after January 1, 2027.

## EFFECTIVE DATE

**SECTION 32.** This 2026 Act takes effect on the 91st day after the date on which the 2026 regular session of the Eighty-third Legislative Assembly adjourns sine die.