2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2171 **STATUS:** B-Engrossed
SUBJECT: Direct sale and shipment to Oregon residents by licensed out-of-state wine or cider manufacturers; authority for a county to impose a tax on the retail sale of malt beverages or wine
GOVERNMENT UNIT AFFECTED: Oregon Liquor Control Commission
PREPARED BY: Adrienne Sexton
REVIEWED BY: Michelle Deister
DATE: June 6, 2007

	2007-2009	2009-2011
EXPENDITURES:		
See Comments.		
REVENUES:		
See Comments.		
POSITIONS / FTE:		
See Comments.		

EFFECTIVE DATE: 91st day after adjournment sine die

GOVERNOR'S BUDGET: This bill is not anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: The measure would allow the Oregon Liquor Control Commission (OLCC) to issue a direct shipper permit to out-of-state manufacturers of wine or cider meeting certain qualifications and which possess a license issued by another state or this state. A permit would allow a manufacturer to ship up to two cases containing not more than nine liters per case, directly to an Oregon consumer per month. The shipments would be subject to monthly reporting under OLCC's privilege tax requirements.

OLCC estimates that 200 manufacturers would seek permits in the 2007-09 biennium, in addition to the 431 out-of-state wineries currently holding direct shipment permits from states under reciprocal agreements with Oregon. The authorization of an annual registration fee of $50 would generate approximately $31,600 per fiscal year ($63,200 per biennium) from 631 registrations.

A total of 2.6 Full Time Equivalent employees at OLCC currently process the direct shipper permits and all privilege tax reports. It should be noted that the privilege tax reports must be submitted, even when no tax is due. Based on current experience, the agency expects that many of the out-of-state manufacturers will not be subject to the payment of the tax.

Although it cannot be determined whether the additional 200 manufacturers would apply for and receive permits in a short time-frame in the 2007-09 biennium, or over what extended period of time that activity would occur, OLCC reports that one additional position (Administrative Specialist 2) would be necessary to process this workload growth. In addition, the agency indicates that one Accountant 1 position would be needed to process the 200 additional monthly privilege tax reports.

Since the bill would be effective 91 days after adjournment sine die, the total estimated personnel costs for 18 months of the 2007-09 biennium would be approximately $132,275. Services and supplies are estimated at $24,950. Personal services costs would be higher for the full 2009-11 biennium at $176,367, while services and supplies would drop to an estimated $8,000 because of the one-time costs associated with new positions, as well as changes to the privilege tax forms, in 2007-09.

The agency also reports to the Legislative Fiscal Office (LFO) that there would be no enforcement of privilege tax compliance or direct shipper permit fees, as the agency believes that it does not have jurisdiction outside the boundaries of Oregon.

Although the actual program impact cannot be determined with precision at this time, LFO recognizes there is a potential for a workload increase in the licensing and privilege tax functions of OLCC. The agency would have several opportunities during the 2007-09 biennium to seek additional position authority through the Department of Administrative Services, and expenditure limitation from the Emergency Board or Legislative Assembly in session, to address the actual workload experience resulting from HB 2171-B.

The permissive language that would allow a county to impose a tax on the retail sale of malt beverages or wine has no immediate direct fiscal impact.