

**REVENUE IMPACT OF
PROPOSED LEGISLATION
80th Oregon Legislative Assembly
2020 Regular Session
Legislative Revenue Office**

Bill Number: SB 1565
Revenue Area: Liquor Revenue
Economist: Mazen Malik
Date: 02/10/2020
Revised

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

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

Revenue Impact (in millions):

| | 2019-21 | 2021-23 | 2023-25 |
|-----------------------|----------|----------|----------|
| Liquor Revenue | (\$0.95) | (\$4.04) | (\$4.16) |
| General Fund | (\$0.53) | (\$2.26) | (\$2.33) |
| Cities | (\$0.32) | (\$1.37) | (\$1.41) |
| Counties | (\$0.10) | (\$0.40) | (\$0.42) |

Impact Explanation:

Distilleries are treated like liquor stores but are permitted to sell their own liquor out of their own tasting rooms. Each distiller is allowed a maximum of 5 tasting rooms in addition to the main distillery (for a total of 6 tasting rooms). There are about 65 distilleries selling liquor out of 104 tasting rooms. Under current law, liquor sales through tasting rooms are treated the same as liquor sales through stores applying the same agent compensation formula, markup formula, surcharge and listing process. However, for the tasting rooms, OLCC never handles the liquor sold in tasting rooms and distillers are required to file weekly reports on their sales. Distilleries remit net profit to the state after taking out their manufacturing cost and their retail agent compensation. The compensation rate has been averaging about 16% to 17% in the last few of years. This measure fixes the compensation rate in statutes at 17% for sales over \$250,000. For sales below \$250,000, each distiller will be compensated at 45% rate (regardless of the number of tasting rooms). Tasting rooms have been experiencing strong double-digit growth, however, for this analysis, the assumption is that the growth stabilizes at 3% a year for the purpose of estimating the difference under proposed law.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is to incentivize the small distilleries and allow them the chance to grow their products. Although the markup is not thought of as a tax, the revenue from the markup is a General Fund source.

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