

A-Engrossed
Senate Bill 1565

Ordered by the Senate March 3
Including Senate Amendments dated March 3

Sponsored by Senators BEYER, MANNING JR, Representatives NOSSE, GOMBERG; Senators BURDICK, DEMBROW, FINDLEY, FREDERICK, GIROD, HANSELL, HEARD, JOHNSON, KNOPP, LINTHICUM, PROZANSKI, ROBLAN, STEINER HAYWARD, TAYLOR, WAGNER, Representatives BOSHART DAVIS, BREESE-IVERSON, EVANS, FAHEY, HELT, LEIF, LIVELY, MOORE-GREEN, NATHANSON, WALLAN, WILDE, WILSON (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.

Establishes rates of compensation to be paid by Oregon Liquor Control Commission to distillery retail outlet agent for distilled liquor retail sales by agent. **Sunsets rates January 2, 2025.**

Increases expenditure limit for Oregon Liquor Control Commission payment of expenses, from moneys other than lottery funds or federal funds for biennium ending June 30, 2021, for purpose of paying distillery retail outlet agent compensation.

A BILL FOR AN ACT

1
2 Relating to distillery retail outlet agents; creating new provisions; and amending ORS 471.230.

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

4 **SECTION 1.** ORS 471.230 is amended to read:

5 471.230. (1) A distillery license allows the licensee to import, manufacture, distill, rectify, blend,
6 denature and store distilled liquor, to sell the distilled liquor to the Oregon Liquor Control Com-
7 mission and to transport the distilled liquor out of this state for sale outside this state. Distillery
8 licensees may purchase and sell distilled liquor from or to another distillery licensee in containers
9 having a capacity greater than one U.S. gallon for blending and manufacturing purposes. A distillery
10 licensee may not sell any alcoholic beverage within this state except to the commission or as pro-
11 vided in this section. However, any agricultural producer or association of agricultural producers
12 or the legal agents of an agricultural producer or association of agricultural producers that manu-
13 factures and converts agricultural surpluses, by-products and wastes into denatured ethyl and in-
14 dustrial alcohol for use in the arts and industry are not required to obtain a license from the
15 commission.

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

18 (a) Permit tastings of distilled liquor approved by the commission for sale in Oregon and manu-
19 factured in Oregon by the distillery licensee or by another distillery licensee. Tastings may be of
20 the distilled liquor alone or with a mix of other liquids. If any of the other liquids are distilled li-
21 quors, they must be distilled liquors on the list of products approved by the commission for retail
22 sale in Oregon and must be purchased by the licensee at the retail price established by the com-
23 mission. This paragraph does not authorize sales by the drink of distilled liquor. The tastings may
24 be conducted on the licensed premises of the distillery and at no more than five other premises

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 owned or leased by the licensee. The commission may allow more than one distillery licensee to use
2 the same premises at the same time for conducting tastings if the premises are a primary production
3 location and the licensees share the premises or are owned by the same entity. If the manufacturer
4 of the distilled liquor obtains distilled liquor for conducting tastings from the inventory of the
5 commission, the licensee shall pay the commission a processing fee.

6 (b) Obtain a special events distillery license.

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

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

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

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

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

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

42 **(5) The commission shall pay a distillery retail outlet agent compensation for distilled li-**
43 **quor retail sales by the agent under subsection (2)(c) or (4)(c) of this section. The compen-**
44 **sation rate shall be:**

45 **(a) For the first \$250,000 of annual total combined retail sales from all distillery retail**

1 **outlet agent tasting locations operated by the distillery licensee under subsection (2)(a) or**
2 **(4)(a) of this section, 45 percent of the retail price set by the commission for the sold distilled**
3 **liquor.**

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

7 **SECTION 2. The amendments to ORS 471.230 by section 1 of this 2020 Act apply to dis-**
8 **tilled liquor retail sales made by a distillery retail outlet agent on or after the effective date**
9 **of this 2020 Act.**

10 **SECTION 3.** ORS 471.230, as amended by section 1 of this 2020 Act, is amended to read:

11 471.230. (1) A distillery license allows the licensee to import, manufacture, distill, rectify, blend,
12 denature and store distilled liquor, to sell the distilled liquor to the Oregon Liquor Control Com-
13 mission and to transport the distilled liquor out of this state for sale outside this state. Distillery
14 licensees may purchase and sell distilled liquor from or to another distillery licensee in containers
15 having a capacity greater than one U.S. gallon for blending and manufacturing purposes. A distillery
16 licensee may not sell any alcoholic beverage within this state except to the commission or as pro-
17 vided in this section. However, any agricultural producer or association of agricultural producers
18 or the legal agents of an agricultural producer or association of agricultural producers that manu-
19 factures and converts agricultural surpluses, by-products and wastes into denatured ethyl and in-
20 dustrial alcohol for use in the arts and industry are not required to obtain a license from the
21 commission.

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

24 (a) Permit tastings of distilled liquor approved by the commission for sale in Oregon and manu-
25 factured in Oregon by the distillery licensee or by another distillery licensee. Tastings may be of
26 the distilled liquor alone or with a mix of other liquids. If any of the other liquids are distilled li-
27 quors, they must be distilled liquors on the list of products approved by the commission for retail
28 sale in Oregon and must be purchased by the licensee at the retail price established by the com-
29 mission. This paragraph does not authorize sales by the drink of distilled liquor. The tastings may
30 be conducted on the licensed premises of the distillery and at no more than five other premises
31 owned or leased by the licensee. The commission may allow more than one distillery licensee to use
32 the same premises at the same time for conducting tastings if the premises are a primary production
33 location and the licensees share the premises or are owned by the same entity. If the manufacturer
34 of the distilled liquor obtains distilled liquor for conducting tastings from the inventory of the
35 commission, the licensee shall pay the commission a processing fee.

36 (b) Obtain a special events distillery license.

37 (c) Apply for appointment by the commission as a distillery retail outlet agent for purposes of
38 retailing distilled liquor at locations where tastings are permitted under paragraph (a) of this sub-
39 section or subsection (4)(a) of this section. A distillery retail outlet agent may sell at locations
40 where tastings are allowed under paragraph (a) of this subsection only distilled liquor that is on the
41 list of products approved by the commission for retail sale in Oregon and is manufactured in Oregon
42 by the distillery licensee or by another distillery licensee that uses the same premises as a primary
43 production location or is owned by the same entity as the distillery licensee.

44 (3) Notwithstanding ORS 471.392 to 471.400, a distillery licensee may hold one or more full on-
45 premises sales licenses. All distilled liquor sold under a full on-premises sales license must be pur-

1 chased from the commission.

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

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

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

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

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

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

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

34 **SECTION 4. The amendments to ORS 471.230 by section 3 of this 2020 Act become oper-**
35 **ative January 2, 2025, and apply to distilled liquor retail sales made by a distillery retail**
36 **outlet agent on or after January 2, 2025.**

37 **SECTION 5. Notwithstanding any other law limiting expenditures, the limitation on**
38 **expenditures established by section 1 (5), chapter 694, Oregon Laws 2019, for the biennium**
39 **ending June 30, 2021, as the maximum limit for payment of expenses from fees, moneys or**
40 **other revenues, including Miscellaneous Receipts, but excluding lottery funds and federal**
41 **funds, collected or received by the Oregon Liquor Control Commission, is increased by**
42 **\$950,000 for the purpose of paying distillery retail outlet agent compensation.**

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