

February 11, 2021

Senator Ginny Burdick, Chair
Senator Brian Boquist, Vice-Chair
Members of the Senate Committee on Finance and Revenue

RE: SB 316 - Relating to tax relief for Oregon craft distilleries on a portion of tasting room sales

Economic Development for Central Oregon (EDCO) is a non-profit organization serving the tri-county region of Crook, Deschutes and Jefferson counties to promote sustained job growth and prosperous communities. EDCO **strongly supports SB 316**, which will provide some needed tax relief for craft distillers across the state on sales in their tasting rooms.

It has been well documented that Oregon craft beer and wine industry's success our state, nationally, and internationally has been and is closely tied to a favorable state tax and regulatory environment that has helped it outpace nearly all other places in the county. We have among the highest number of breweries and wineries per capita, highest per capita export of craft beer and wine outside the state and a higher than average number of new jobs created per capita by the industry over the past three decades. According to a 2016 report, the craft beer industry has \$4.49 billion economic impact for the state and employs nearly 9,000 Oregonians. Earlier this year, an Oregon Wine Board report estimated its industry's impact to be \$7.2 billion in 2019 and wine-related employment exceeded 40,000. These two industries have combined to provide millions of dollars annually in new revenue for state and local governments for a wide range of public programs and projects.

Unfortunately, while the craft beer and wine industry has grown exponentially over the past 30 years across the state, our craft distilling industry is still very small, primarily because it is a difficult business in which to make a profit in Oregon. One simple reason is that **it is among Oregon's most taxed manufacturing sectors**. Other states with a more favorable tax climate for the industry have a similar strong role for distilled spirits in the national market as our craft beer manufacturers.

SB 316 does not change the current taxation scheme. It does, however, provide an important opportunity for craft distilleries to have an exemption of up to \$250,000 in sales via their tasting rooms from the 33% state tax paid on product sold through an OLCC licensed retail store. Profits on that portion will be an immensely helpful leg up for Oregon's small distilleries. And to be clear, Oregon currently only has small distilleries, period.

Too often relief from taxes for business is viewed only on the shortest term: impact to public budgets in the following year or biennium. But what happens five or ten years down the road when our distillers are now able to better compete on the national stage with their peers elsewhere? Like the brewing industry, being better able to compete nationally will lead to Oregon distilleries needing to build larger facilities, hire more employees and boost the entire supply chain – from farmers to label manufacturers to shipping companies, etc. Short-term tax losses are completely eclipsed by a growing industry that



actually generates more state and local tax revenue than it ever has historically. Exactly like craft brewing and wine production has demonstrated.

This bill enjoys a broad base of bi-partisan support, as demonstrated by its democratic and republican sponsors. Especially now as Oregon climbs its way out of a deep and painful recession, please take this small step toward a more robust economy.

Thank you for the opportunity to testify on this important legislation. Please don't hesitate to contact me with any questions about our support.

Respectfully,

A handwritten signature in black ink, appearing to read 'Roger J. Lee', written in a cursive style.

Roger J. Lee
CEO

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for Central Oregon**

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