

SB 1564 -2 STAFF MEASURE SUMMARY

Senate Committee On Business and Transportation

Prepared By: Kayla Byers, LPRO Analyst

Meeting Dates: 2/5, 2/12

WHAT THE MEASURE DOES:

Allows distillery licensee to apply to the Oregon Liquor Control Commission for tasting room permit for a location on or near distillery premises. Grants permit holder ability to sell sealed containers of its own distilled liquor at tasting room not exceeding \$500,000 in sales a year. Provides that retail price of bottles sold out of tasting room must be price set by Commission. Clarifies that retail sales of distillery licensee are direct sales and that licensee is not a Commission agent, allowing licensee to retain full retail price. Allows distillery licensee to apply for special events tasting room license. Sets fee for special events tasting room license.

FISCAL: Fiscal impact issued

REVENUE: May have revenue impact, but no statement yet issued

ISSUES DISCUSSED:

- Appropriate cap of direct sales
- Importance of craft distilleries to tourism
- Ability of craft distilleries to get product in retail stores
- Court challenges to interstate commerce clause
- OLCC markup on distilled spirits
- Differences to how state revenue is collected from beer, wine, and distilled spirits
- Liquor agent compensation

EFFECT OF AMENDMENT:

-2 Removes provision that tasting room location must be on or in close proximity to a distillery premises of the licensee. Specifies that tasting room must conduct tastings on a year-round basis, and that tastings must include distilled liquor from a distillery of the licensee. Requires that distilled liquor used for tasting must be purchased from the Commission at the retail price set by the Commission. Specifies that licensee may not operate a tasting room unless the licensee offers distilled liquor for sale at retail under the permit. Limits sale at retail of distilled liquor manufactured at a distillery premises to one tasting room. Reduces annual sales allowed under a tasting room permit to \$250,000. Clarifies that no part of the retail price from the sale of distilled liquor under the permit is payable by the licensee to the OLCC. Adds tasting room permit language to ORS 471.251. Repeals \$10 per day special events tasting room license operative January 2, 2022. Sunsets sections 2 and 3 on January 2, 2022.

BACKGROUND:

Oregon distillers have been experiencing steady growth, with 14 licenses in 2001 growing to 90 licenses in 2016. In 2016, these 90 licenses accounted for 13 percent of distilled spirits sales in Oregon and included over 500 products. In 2017, 95 Oregon distillery agents reported sales and 59 of these agents would qualify for the ability to apply for the new tasting room license created in Senate Bill 1564. The Oregon alcohol industry as a whole has been experiencing continued growth with over 7,400 jobs added between January 2008 and September 2016. The Legislative Assembly has enacted several changes over the last decade to keep pace with the growing distillery industry. House Bill 4092A (2012) gave distillery licensees the ability to hold special events. House Bill 3435A (2013) allowed up to five tasting rooms in addition to the tasting room located at the distillery. House Bill 2567B (2015) broadened the ability of Oregon distillers to conduct tastings and hold special events. Under current law, a distillery

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licensee selling bottles of distilled liquor at a location where tastings are permitted must be a distillery retail outlet agent and all distilled liquor must be purchased from the Oregon Liquor Control Commission. When such bottle sales are made, the distiller is compensated the same as a non-exclusive retail agent.

Senate Bill 1564 retains the existing privileges ORS 471.230 (distillery license) and creates a new distillery tasting room permit, creates special events tasting room license, and allows up to \$500,000 in direct sales by tasting room licensee per year at one location without being a retail agent of the Commission.