CHAPTER 8. BEER AND WINE TAX

A tax is imposed upon the privilege of engaging in business as a manufacturer or as an importing distributor of malt beverages or wines. The Oregon Liquor Control Commission (OLCC) collects the tax. The tax rate for manufacturing or importing malt beverages is $2.60 per barrel of 31 gallons. The tax rate for manufacturing or importing wine is 67 cents per gallon on wines with 14 percent or less alcohol by volume and 77 cents per gallon on wines with more than 14 percent but not more than 21 percent alcohol by volume. Two cents of the wine tax goes to the Wine Advisory Board. Fifty percent of the remaining beer and wine taxes go to Mental Health and Drug Abuse Prevention, and the other fifty percent into the Oregon Liquor Control Commission Account (and distributed as described below).

Beverages with more than 21 percent alcohol are exclusively imported by the state of Oregon. Net revenue from the sale of these beverages and from the portion of the wine and malt beverage tax that goes into the OLCC Account are distributed as follows: 56 percent to the General Fund, 10 percent to counties (by population), 20 percent to cities (by population), and 14 percent to cities (by formula).

Beer and wine tax receipts were $24.0 million for the 1997-99 biennium and are expected to be $24.5 million for the 99-01 biennium.

8.001 SMALL WINERIES

Oregon Statute: 473.050(5)
Sunset Date: None
Year Enacted: 1977

	Total
1999–01 Revenue Impact:	$1,500,000
2001–03 Revenue Impact:	$1,600,000

DESCRIPTION: Allows all United States wine manufacturers producing less than 100,000 gallons annually to exempt the first 40,000 gallons sold each year in Oregon from the wine tax. It is estimated that 2,200,000 gallons will be claimed as tax exempt during the 1999–01 biennium. This is expected to increase to 2,350,000 gallons exempted in the 2001–03 biennium.

PURPOSE: To provide tax relief to small wineries.

WHO BENEFITS: The small wineries benefit in that they are able to sell their product more competitively. In addition, secondary industries such as vineyards, label design, bottling and marketing benefit from the exemption. Nearly all of Oregon's 120 wineries are small enough to qualify for the full tax exemption.

EVALUATION: This tax exemption achieves its purpose. It was enacted to help small Oregon wineries get established, and allows these wineries enough profit to stay in business until they become large enough to compete with the established, high volume wineries. In 1977, when the exemption was enacted, there were approximately 10 licensed wineries. Today, there are over 120 wineries in the state and the industry is still growing. Nearly all of Oregon's wineries are small enough to qualify for the full tax exemption. While overall wine consumption is declining, Oregon wines have continued to show modest growth.

Oregon has gained the reputation of a quality wine producing state, which has added to the image and livability of the state and promotes tourism and hospitality. The growth of the Oregon wine industry has also caused growth in secondary markets such as vineyards, label design, bottling, and marketing.

Because of the exemption, the industry decided to dedicate some of the tax savings to establish and maintain the Wine Advisory Board. The Board divides its resources between research and development and industry promotion. If this were not the case, the industry would be asking the legislature for funding from General Fund dollars.

Due to the lack of public investors, this appears to be the only practical way to encourage the growth of the wine industry. [*Evaluated by the Liquor Control Commission.*]