CHAPTER 7. 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 are expected to be $29.4 million for the 2005–07 biennium and $30.9 million for the 2007–09 biennium.

7.001 SMALL WINERIES

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

	Total
2005–07 Revenue Impact:	$2,300,000
2007–09 Revenue Impact:	$2,700,000

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 3,200,000 gallons will be claimed as tax exempt during the 2005–07 biennium. This is expected to increase to 3,900,000 gallons exempted in the 2007–09 biennium.

PURPOSE: To encourage the development of the Oregon wine industry.

WHO BENEFITS: The small wineries benefit because they are able to sell their product more competitively.

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 380 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. Oregon wines have continued to show overall 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 Oregon Wine 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.]*

7.002 WINE MARKETING ACTIVITIES

Oregon Statutes: 473.047
Sunset Date: None
Year Enacted: 2001

	Total
2005-07 Revenue Impact:	$0
2007-09 Revenue Impact:	$0

DESCRIPTION: This provision allows a credit against the wine tax for certain marketing activities as defined by the Oregon Wine Board. The marketing activities must not promote any specific brand or winery and must be approved by the Oregon Wine Board. The credit cannot exceed 28 percent of the sum of the tax paid on the first 40,000 gallons sold in Oregon and 25 percent of the tax owed on gallons over 40,000 gallons. The total credit may not exceed the tax liability of the manufacturer or importing distributor of wine.

PURPOSE: To encourage the development of the Oregon wine industry.

WHO BENEFITS: Large wineries and the Oregon wine industry (small wineries do not pay the wine tax).

EVALUATION: No winery has claimed the credit through June 30, 2006. *[Evaluated by the Liquor Control Commission.]*