



August 27, 2020

Dear ADPC Commissioners, Executive Director Richardson, and Staff,

I am writing to correct information in today's Oregon Recovers presentation proposing increasing Oregon's beer, wine, and distilled spirits taxes. In addition to the information provided in this letter, I would respectfully request an opportunity for Oregon's beer, wine, spirits, and hospitality sector to present to you on the critical importance of this sector to Oregon's economy and identity, and the laws that promote responsible consumption of alcohol, a legal product enjoyed by over 75% of Oregonians over age 21.

The Oregon Beer & Wine Distributors Association (OBWDA) represents local, independent beer and wine distributors. OBWDA provides leadership in promoting the local beer and wine industry in Oregon by protecting the three-tier system of alcohol distribution and trade practice laws, enforced by the OLCC.

The three-tier system was put in place to promote moderate consumption of alcohol, ensure a commercially level playing field, provide for effective tax collection, and preserve public safety by ensuring licensed alcohol sales. Under the system, distributors efficiently track product through the chain of custody while providing Oregonians with a safe and unprecedented choice of innovative products in the marketplace.

Slide 9 of the Oregon Recovers presentation shows beer and wine taxes by state. It presents Oregon as having the lowest beer tax (50th) in the country and second lowest wine tax in the country (49th). This is incorrect. Oregon's wine tax is higher than two-thirds of states (31st of 50) <https://taxfoundation.org/state-wine-taxes-2019/>. The states of Wyoming (0.02/gallon), Missouri (0.06 gallon), and Wisconsin (0.06/gallon) have a lower beer tax than Oregon. The states of Colorado and Pennsylvania have the same beer tax rate as Oregon (0.08/gallon). Oregon is home to over 230 craft brewers. While our beer tax is not the lowest of all states, it does align with other beer-producing states <https://taxfoundation.org/state-beer-taxes-2020/>.

Oregon already has very high alcohol prices compared to other states. For example, Oregon's average beer price is the 10th highest of 50 states, meaning 40 states have less expensive beer than Oregon <https://www.foodandwine.com/beer/case-beer-cost-every-state>. Oregon's spirits tax is 2nd highest in the country <https://worldpopulationreview.com/state-rankings/alcohol-tax-by-state>.

The success of Oregon's beer, wine, spirits, and hospitality sector (pre-COVID) has nothing to do with political campaign contributions, as submitted by Oregon Recovers. Slide 10 of their presentation claims that our association receives "94%" of political contributions from out-of-state businesses. This is false. Every member of the Oregon Beer & Wine Distributors Association (OBWDA and Oregon Beverage PAC) is an OLCC licensed Wholesale Malt Beverage & Wine Distributor located in the State of Oregon. Two-thirds of our member businesses were also founded in Oregon (one distributor as early as 1935). Many are local, family businesses run by multiple generations of Oregonians. Each OBWDA member has one or multiple

brick-and-mortar places of business in the State of Oregon, pays Oregon taxes, and works directly with the OLCC to enforce Oregon alcohol laws. OBWDA members employ thousands of Oregonians, contribute to multiple Oregon charitable organizations, and live and work in the same communities as you and me. Additionally, OBWDA members distribute product from hundreds of Oregon, national, and international breweries and wineries. To call us “big alcohol” or “out-of-state alcohol” is patently false and we strongly object to this purposely misleading narrative.

Oregon is proudly a beer, wine, and spirits producing state. Prior to the COVID-19 pandemic, Oregon was home to over 800 wineries, 1,144 vineyards, 73 distributors, nearly 400 breweries, over 50 distilleries, and over 10,000 restaurants, creating hundreds of thousands of family-wage jobs and more than \$2 billion in wages throughout manufacturing, distribution, restaurant, agriculture, hospitality, retail, and many other industries. Oregon is second (2nd) in the nation for hop-growing with a 2016 crop value over \$40 million. Oregon wineries contribute \$5.6 billion in economic benefit to the state, account for 30,000 in wine related jobs, and nearly \$800 million in wine related tourism. Many of those jobs are now at risk or have been lost because of the pandemic.

States typically do not target their homegrown industries for taxation. Beer, wine, spirits, and hospitality businesses bring enormous revenue, tourism, jobs, and economic development to Oregon. Recently, COVID-19 has devastated Oregon’s beer, wine, spirits, and hospitality sector. Local breweries, wineries, distillers, tasting rooms, brewpubs, taprooms, and restaurants have closed their doors permanently. In a recent public opinion poll, 75% of Oregonians report that they are concerned with the state of the economy and anything that would cause additional harm to the beer, wine, and hospitality sector.

The distribution “tier” of the three-tier system was specifically created after the repeal of Prohibition to prevent cheap alcohol and promote the moderate consumption of alcohol and state-based laws and regulations designed to promote public health and safety. Like you, we believe the State of Oregon should dedicate more resources to alcohol treatment and prevention. As you know, less than 1% of Oregon’s budget is currently dedicated to these programs. Therefore, before we begin talking about raising taxes on Oregon’s local beer, wine, spirits, and hospitality businesses, we need to deeply examine the current system and why Oregon’s third-largest revenue source (alcohol sales and taxes) are not currently being spent on these programs.

Oregon’s beer, wine, spirits, and hospitality sector cares deeply about alcohol prevention and access to alcohol recovery and treatment. We look forward to working with you on these critical issues.

Thank you,

-Danelle Romain

Executive Director, Oregon Beer & Wine Distributors Association