

Senate/House Bill _____

**DISCUSSION
DRAFT**
4/19/06

SUMMARY

Imposes a malt beverage cost recovery fee of \$32 per barrel of 31 gallons. Directs Oregon Liquor Control Commission to collect fees. Distributes revenues to prevention, enforcement, and treatment related to drug or alcohol addiction.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1 Relating to malt beverage cost recovery fees; appropriating money; and prescribing an effective date.

2 Whereas Oregon has one of the lowest (if not the lowest) “effective tax” on malt beverages in the
3 Nation; and
4

5 Whereas Oregon’s current wholesale malt beverage tax is a fixed rate that does not keep up with
6 inflation and has not been raised for 30 years; and

7 Whereas Oregon collects only \$1 of alcohol tax for every \$39 of alcohol-related healthcare costs;
8 and

9 Whereas alcohol abuse and alcoholism cost each Oregonian \$683 annually; and

10 Whereas Oregon 8th graders’ use of alcohol is 80.5% higher than the national average; and

11 Whereas 17% of alcohol sold in Oregon is consumed by underage drinkers; and

12 Whereas increasing alcohol taxes reduces underage drinking; and

13 Whereas the Governor’s Task Group on Underage Drinking in Oregon concluded that “raising
14 the price of alcohol would do more to combat youth use of alcohol than any other strategy;” and

15 Whereas the report of the Institute of Medicine and National Research Council on reducing
16 underage drinking specifically recommended that “Congress and state legislatures should raise excise
17 taxes to reduce underage consumption and to raise additional revenues for this purpose. Top priority
18 should be given to raising beer taxes, and excise tax rates for all alcoholic beverages should be indexed to
19 the consumer price index so that they keep pace with inflation without the necessity of further legislative
20 action;” and

21 Whereas raising wholesale beer and wine taxes will help local businesses: Alaska recently nearly
22 tripled its tax; retail prices generally increased 2 to 4 times the rate of the tax increase; and yet beer and
23 wine consumption among adults did not go down, and wholesale volumes increased 11%; and

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 Whereas raising the wholesale malt beverage tax will help Oregon’s small breweries (less than
2 200,000 barrels) by leveling the playing field with the large breweries that account for 2/3rds of all the beer
3 sold in Oregon (90% of all beer sold in Oregon comes from out of state); and

4 Whereas 81% of Oregonians are in favor of increasing alcohol tax; therefore,

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1. Sections 2 to 5 of this 2007 Act are added to and made a part of ORS chapter**
7 **473.**

8 **SECTION 2. (1) In order to recover a portion of the government costs incurred as a result**
9 **of the consumption of malt beverages, a malt beverage cost recovery fee is imposed upon the**
10 **privilege of engaging in business as a manufacturer or as an importing distributor of malt**
11 **beverages at the rate of \$32 per barrel of 31 gallons on all such beverages.**

12 **(2) The fee imposed by this section is in addition to, and not in lieu of, the tax imposed by**
13 **ORS 473.030(1).**

14 **(3) The fee imposed by this section upon malt beverages applies proportionately to**
15 **quantities in containers of less capacity than the quantity specified in this section.**

16 **(4) The fee imposed by this section shall be measured by the volume of malt beverages**
17 **produced, purchased or received by any manufacturer. If the malt beverage remains unsold and in**
18 **the possession of the producer at the plant where it was produced, no fee under this section is**
19 **required to be paid until the malt beverage has become sufficiently aged for marketing at retail, but**
20 **this subsection shall not be construed so as to alter or affect any provision of this chapter relating to**
21 **tax liens or the filing of statements.**

22 **(5) The fee imposed by this section shall not apply to a manufacturer of malt beverages that**
23 **produces less than 200,000 barrels of malt beverages annually or an importing distributor who**
24 **exclusively imports from one or more manufacturers that produce less than 200,000 barrels**
25 **annually.**

26 **(6)(a) The rate of the cost recovery fee under subsection (1) of this section shall be adjusted**
27 **annually for cost-of-living changes, by multiplying the rate of the fee under subsection (1) of this**
28 **section by the percentage by which the monthly averaged U.S. City Average Consumer Price Index**
29 **for the 12 consecutive months ending August 31 of the prior calendar year exceeds the monthly**
30 **averaged index for the calendar year 2006. The rate shall be determined on the basis of a 31-gallon**
31 **barrel of malt beverage.**

32 **(b) As used in this subsection, “U.S. City Average Consumer Price Index” means the U.S.**
33 **City Average Consumer Price Index for All Urban Consumers (All Items) as published by the**
34 **Bureau of Labor Statistics of the United States Department of Labor.**

1 **SECTION 3.** (1) The fee required under section 2 of this 2007 Act shall be collected and
2 enforced by the Oregon Liquor Control Commission in the same manner as malt beverage taxes
3 are collected and enforced under ORS chapter 473 and the rules of the commission.

4 (2) The commission shall deposit fees collected under this section in the Malt Beverage Cost
5 Recovery Fee Fund.

6 (3) For all purposes of collection and enforcement, claims for refunds, penalties, interest,
7 record keeping, inspection of records, appeals, confidentiality and disclosure of information, the
8 cost recovery fee shall be considered to be a privilege tax imposed under ORS 473.030.

9 **SECTION 4.** (1) The Malt Beverage Cost Recovery Fee Fund is established in the State
10 Treasury, separate and distinct from the General Fund.

11 (2) Moneys in the Malt Beverage Cost Recovery Fee Fund are continuously appropriated to
12 the Oregon Criminal Justice Commission for distribution under Section 5 of this 2007 Act.

13 **SECTION 5.** (1) Revenue received pursuant to the malt beverage cost recovery fee imposed
14 under section 2 of this 2007 Act may be used only for the following purposes:

15 (a) Alcohol or drug addiction prevention;

16 (b) Alcohol or drug addiction treatment;

17 (c) Law enforcement and criminal justice programs that apply to persons with alcohol or
18 drug addiction.

19 (2) The use of revenues received from the malt beverage cost recovery fee imposed under
20 section 2 of this 2007 Act shall be determined by the Oregon Criminal Justice Commission, except
21 that the commission may not allocate less than 30 percent or more than 37 percent of the total
22 amount of funds to be allocated annually to any one category of authorized uses under subsection
23 (1) of this section.

24 **SECTION 6.** This 2007 Act takes effect on the 91st day after the date on which the regular
25 session of the Seventy-fourth Legislative Assembly adjourns sine die.
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