

# **2016**

## **Oregon Department of Revenue**

### **Presentation to the Interim Joint Committee on Ways & Means Subcommittee on General Government**

#### **Responses to Questions from Committee Members**

February 3, 2016



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### Property Tax Division Request

#### What hourly rate would be required to pay the entire cost?

The \$60 per hour rate for map maintenance is negotiated between the department and the counties. The average fully-loaded cost for these services is \$72.74 per hour. There are some significant services and supplies costs associated with the program, for example, software costs.

Additionally, the fully-loaded rate may change annually based on::

- Personal services costs.
- Required software. The software currently required is only used for county map maintenance.
- The number of counties whose maps we're maintaining.
- The number of hours involved in maintenance.

Map maintenance for the counties constitutes approximately 10 percent of the workload for this unit.

#### Validate the biennial increase in personal service costs.

Personal service costs for wages and other payroll expenditures increased 5.6 percent from the 2013–15 biennium to the 2015–17 biennium. The Department of Administrative Services Chief Financial Office projects those personal services costs to increase 11 percent from the 2015–17 beinnium to the 2017–19 biennium.

### Marijuana Tax Program Request

#### Explain the dual-control process.

When working on high-risk tasks, it's always best to work in pairs. One person handles the cash and the other monitors for safety and keeps the other person in view. Advice provided from our partners, the State Treasury and the Secretary of State's office, and to ensure compliance with OAM 10.20.00PR, *Internal Controls (Cash)*, the department has implemented a dual-control system when handling cash to ensure accuracy and accountability. The OAM does not specify a dollar threshold in which internal controls must be in place, except for identifying that agencies need to make a deposit when receipts are \$100 or more.

The Cash Transaction Unit has implemented dual-control processes throughout its payment transaction procedures. We have a two-person team at each of two transaction windows. Each team is comprised of an A and B member, and each is given a different key and combination. Both an A and B key or combination are required to access the vault or key lockers.

Together, this "window team":

1. Counts the cash using cash-counting machines,

2. Inputs the amount collected into our computer system,
3. Seals the cash in a bank bag with the necessary documentation,
4. Secures the bag in the vault, and
5. Logs the deposit.

Depending on the dollar amount of a deposit, a team could be counting cash and processing the transaction for anywhere from 15 minutes to an hour or more. We've already scheduled 22 payments for February, and we're expecting many more as the end-of-month payment deadline approaches. Hence the need to have a two-person team for both of our payment windows.

Tax deposits are reconciled twice a day, also using two-person teams. However, the same team that processed the payment may not reconcile the payment due to internal control requirements.

Together, this "reconciliation team":

1. Enters the vault to retrieve bank bags,
2. Opens the sealed bags,
3. Recounts the money in the bags and compare that to the accompanying documentation,
4. Prepares all cash collected for deposit to the state's bank,
5. Seals the deposit in a bank bag with necessary depositing information, and
6. Returns it to the vault to await transport by armored vehicle.

### **How is contaminated cash defined? How is the determination of whether cash submitted to the bank is contaminated made?**

The accepting bank makes the determination. In Oregon Administrative Rule (OAR) 150-475B.710-(C), *Marijuana Tax: Cash Handling Procedures*, we define contaminated currency based on the Federal Reserve's definition.

The definition we adopted is:

*"Contaminated currency" means any United States currency or coin that has been damaged by or exposed to contaminants, poses a health hazard or safety risk, and cannot be processed under normal operating procedures. Contamination may be caused by, but is not limited to: (A) Floodwater or any prolonged exposure to water or other liquids; (B) Exposure to blood, urine, feces, or any other bodily fluids, including removal from any body cavity, corpse, or animal; (C) Exposure to sewage, mold, or mildew; (D) Exposure to*

*any foreign substance or chemical, including dye-packs, which may pose a health hazard or safety risk.*

Additionally, that same rule says that we will not accept any "...contaminated currency for cash deposits or payments of marijuana tax."

### **Why is the department requiring monthly payments rather than quarterly?**

We opted for monthly deposits for several reasons:

- Monthly deposits have been effective in Washington and Colorado.
- Monthly deposits put money into the Oregon Marijuana Account more often, where it can start earning interest sooner than if it were deposited quarterly. It also allows for easier reconciliation for quarterly distributions to recipients listed under Measure 91.
- More frequent deposits reduce the overall size of each individual deposit. Smaller deposits increase the safety of staff and taxpayers. It also reduces the amount of money dispensaries have to secure between payments.
- We considered varying payment schedules based on the amount that needs to be deposited, which is what businesses are used to doing for payroll taxes. Some businesses deposit income tax withholding as frequently as daily, based on the amount of withholding they collect. We didn't want to require that these small businesses travel to Salem daily to make their deposits because of the added burden.

We also recognized the safety risks involved with the small business having to collect and securely store three months' worth of tax payments, and then transport that larger amount of money to Salem to make the required deposit. Finally, most businesses in Oregon deposit withholding monthly already, which means marijuana businesses can deposit both in one trip if they need to.

House Bill 2041 was crafted anticipating that the department would need flexibility in determining when tax payments should be deposited. As we gain a better understanding of what cash volumes we'll be handling, we can amend the rules to align with actual experiences, rather than predictions.