

**OLCC Reponses to Ways and Means Subcommittee on Transportation and
Economic Development Committee Questions**

April 3,2017

What are Oregon’s alcohol taxes and volumes?

| Oregon Alcohol Taxes | | |
|---|--|-----------------|
| Alcohol Category | Fiscal Year 2016 Taxable Gallons Sold | Tax Rate |
| Malt Beverage (Beer) | 92,967,079 | \$0.08/Gallon |
| Table Wine | 14,486,048 | \$0.67/Gallon |
| Dessert Wine (includes Vermouth) | 1,091,266 | \$0.77/Gallon |
| Liquor | 7,502,590 | \$22.73/Gallon* |
| *Estimated tax based on average industry mark ups for wholesale and retail. Source: Distilled Spirits Council of the United States | | |

What is the theft rate for Oregon Liquor Stores as compared to Washington after privatization?

Oregon average annual theft amount for all liquor stores totals \$9,206.

The Washington theft rate after privatization is unknown as stores are not required to report theft according to the Washington State Liquor Control and Cannabis Board after privatization. A study presented to the Washington Legislature in 2014 by independent researchers cited a theft amount of \$250,000 from stores during the first full year after privatization compared to \$11,000 in 2012 under the previous state control system. Police reports related to alcohol theft rose from 5 reports in a 7.5 year period to 83 in a 10 month period after privatization according to the same study.

http://media.oregonlive.com/politics_impact/other/wash.priv.study.pdf

What are the most expensive bottles of liquor sold in Oregon?

| Top Ten Most Expensive Bottles of Liquor Sold in 2016 | | | |
|--|--------------------------------|---------------------|-----------------|
| Product | Retail Price Per Bottle | Bottles Sold | Category |
| HARDY PERFECTION LUMIERE | \$ 8,399.95 | 1 | BRANDY / COGNAC |
| THE MACALLAN "M" DECANTER | \$ 6,509.95 | 2 | SCOTCH |
| COURVOISIER L'ESSENCE HORS | \$ 3,512.10 | 1 | BRANDY / COGNAC |
| REMY MARTIN LOUIS XIII | \$ 3,262.95 | 14 | BRANDY / COGNAC |
| HENNESSY PARADIS IMPERIAL | \$ 3,154.00 | 2 | BRANDY / COGNAC |
| MACALLAN SCOTCH 30 YR | \$ 2,979.95 | 5 | SCOTCH |
| THE MACALLAN FINE OAK SCOTH | \$ 2,979.95 | 1 | SCOTCH |
| JOSE CUERVO 250TH ANNIVERS | \$ 2,400.00 | 1 | TEQUILA |
| BRORA 37 YR | \$ 1,999.95 | 4 | SCOTCH |
| RESERVA DI LA FAMILIA SERR | \$ 1,811.10 | 1 | RUM |

Do you have estimates of who is relying on the medical marijuana program for tax avoidance?

This is a very difficult question and likely impossible to estimate accurately. According to the Oregon Health Authority April/2017 statistical report, there are 61,839 marijuana patient cards issued in Oregon and 26,067 designated caregivers. Patients or their designated caregivers can purchase marijuana tax free. An annual card for medical marijuana patients costs \$200 and in addition a patient needs a physician to validate the patient's condition and need which can cost another \$150 per year. In total, this could cost a patient about \$350 per year to maintain a card so there is a potential cost benefit analysis to be done by each patient if tax avoidance is the objective. Half the patients, however, qualify for reduced medical card fees (Veterans, Oregon Health plan members, Supplemental Security Income) which reduces their annual card fees from \$200 to \$20 so there may be a lower threshold for some.

In February of 2017, OLCC licensed marijuana retailers sold a total of \$32.8 million in product. \$4.7 million or 14% of these sales were to medical card holders or their caregivers and paid no tax. The percentage of sales going to medical card holders or their caregivers has increased from 11% in Nov/2016 to 14% in Feb/2017. One driver of this, however, is the number of medical dispensaries which have significantly declined since the implementation of the recreational program last year.

It should also be noted that medical card holders can also receive marijuana from designated growers. 44,702 patients (72 percent) are associated with a medical program grower who supplies their medical marijuana to them. 17,137 medical card holders are not associated with a grower and, in theory, are purchasing their marijuana from a dispensary or retail outlet.

Do other legal states have liability insurance for marijuana industry participants?

This will take some time for follow-up. We will be meeting with other states in the coming month and query them for their practices related to liability insurance.

Does the redemption value on bottles exceed the tax generated from the beer within them?

It is not possible to determine how many bottles or cans of beer, specifically, were sold in Oregon last year but below is the data for all beverage containers sold and redeemed for 2016 under the required bottle bill reporting. The redemption reports are for total containers by material class (metal, glass, and plastic) and do not distinguish by type of product. Beer in Oregon is sold in many different sizes of containers including up to two gallon growlers.

| Fiscal Year 2016 Bottle Bill Container Data | | | | | | | | |
|---|--------------------------|-----------------------|-------------------------|------------------------|-----------------------------|--------------------------|----------------------------|---------------------------|
| | Aluminum Containers Sold | Glass Containers Sold | Plastic Containers Sold | Total Containers Sales | Aluminum Container Returned | Glass Container Returned | Plastic Container Returned | Total Containers Returned |
| Total | 894,097,409 | 296,842,706 | 533,464,860 | 1,724,404,975 | 633,559,420 | 200,986,000 | 277,701,571 | 1,112,246,991 |
| Redemption Value at 5 cents Per Container | \$ 44,704,870 | \$ 14,842,135 | \$ 26,673,243 | \$ 86,220,249 | \$ 31,677,971 | \$ 10,049,300 | \$ 13,885,079 | \$ 55,612,350 |

The beer tax on an average bottle or can of beer (12 ounces) is about ¾'s of a penny or \$0.00762 per bottle. So the current 5 cents and future 10 cents redemption value for a bottle of beer is higher than the 0.76 cents that was paid for the beer tax. In Fiscal Year 2016, a total of \$7,812,344 in beer tax was paid.