



Agency response

*Questions from the Joint Committee on Ways and Means
Subcommittee on General Government*



March 19, 2019



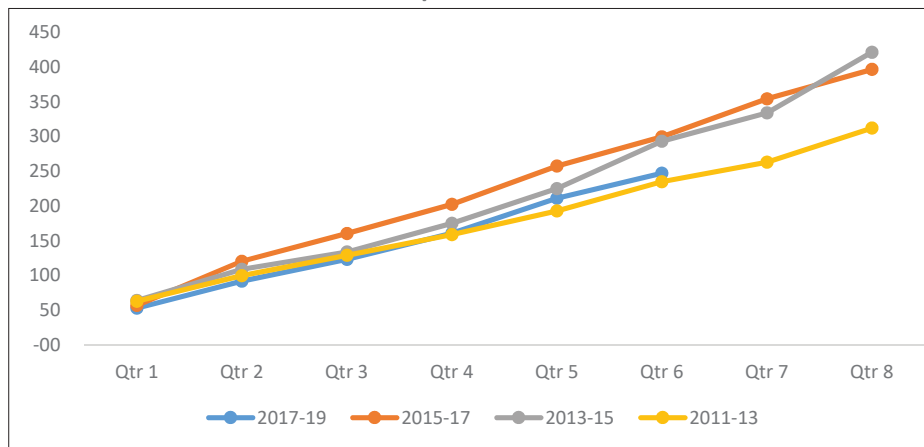
Please provide corporate audit and enforcement data for 2-3 additional biennia.

The graphs below shows biennial audit and filing enforcement case volume for the department’s Corporation Section from 2011-13 through 2017-19 to better illustrate trends in the enforcement work done by the section.

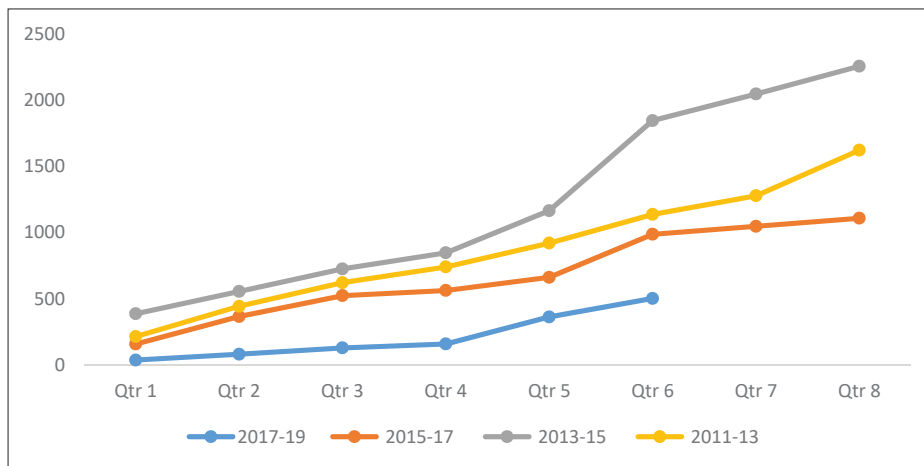
Fluctuations in staffing levels, including turnover of staff due to retirements and promotions as well as losing budgeted positions, has an impact on the number of audit and filing enforcement cases closed in each period. The filing enforcement data for the 2013-15 biennium year is inflated because the assessment function in the legacy system was used to clear out a number of old accounts in order to prepare for the conversion into GenTax. The numbers for those periods include activity that is not our standard filing enforcement activity.

For the most recent biennium, the number of audits in FY19 is estimated to be 160, which is in line with the FY18 production. For filing enforcement, we estimate that at least 275 cases will be completed in FY19, somewhat higher than the FY18 level. The amount of this activity is growing now that we have been able to train additional staff.

Corporate audit cases



Corporate filing enforcement cases



How are state marijuana tax revenues distributed to cities and counties?

Oregon Revised Statutes (ORS) ORS 475B.759 establishes the formulas for determining the distribution of state tax revenues to cities and counties. Before receiving each quarter’s state tax revenue distribution, cities and counties must certify to OLCC whether they allowed recreational marijuana licensees to operate within their locality during the quarter (opt-in). This is because the distribution formulas are at least partially dependent upon whether the city or county has opted in.

For cities, their share is based on population (75 percent) and the city’s portion of total state producer, wholesaler, processor, and retailer licenses (25 percent). They must allow licensed producers, processors, wholesalers, and retailers to operate to be eligible for any part of this distribution.

For counties, half is based on the portion of the state’s total available grow-canopy in the county and half is based on the county’s portion of total state wholesaler, processor, and retailer licenses. Counties that opt out of marijuana production are ineligible for the part of the distribution based on grow-canopy area. Counties that opt out of allowing licensed wholesaler, processor, or retailer operations are ineligible for the part of the distribution based on license count.

What’s the cost for DOR to administer the local recreational marijuana tax programs?

The department charges localities a per-retailer quarterly fee to administer their local recreational marijuana tax programs. The quarterly fee is a percentage of the administration costs incurred. For the first quarter of 2019, the fee was \$42.14 per retailer. There is also a one-time charge of \$200 to set up the locality’s account in DOR’s tax administration system.

Can you provide a breakdown of local recreational marijuana taxes by locality?

ORS 314.835 prevents the department from divulging the particulars of tax returns, which includes reports or returns for the administration of any local tax pursuant to ORS 305.620, including local marijuana taxes. As some localities the department administers for have relatively few or even one retailer, disclosing taxes collected for that locality may inadvertently disclose particulars of those returns.

Senate Bill (SB) 1544 (2018) amended ORS 305.620 to authorize localities to disclose the amounts received from local marijuana taxes collected by the department, so that information may be available from individual localities.

We have reported the amount of local taxes collected in the aggregate on a quarterly basis. These amounts are shown in the table below, and only include those cities and counties with which the department has an inter-governmental agreement to collect marijuana taxes on their behalf. A full list of jurisdictions that have contracted with us is [available on our website](#). We don’t have any information on localities that haven’t entered into an agreement with us.

Quarter	Local tax distributed
2017 Q2	\$1,201,000
2017 Q3	\$2,306,685
2017 Q4	\$3,012,002
2018 Q1	\$3,553,105
2018 Q2	\$3,329,961
2018 Q3	\$3,688,779
2018 Q4	\$3,859,921

In addition, while we aren't able to provide the amount of local taxes collected by jurisdiction due to disclosure laws, we have [published a report based on 2016 state marijuana revenues](#) that includes a breakdown of tax liability by region of the state, among other data points. While this data is a couple of years old, we have verified that the current distribution of sales is very similar when comparing regions.

The Oregon Liquor Control Commission has also provided us with a tabulation of local recreational marijuana sales by county in the state that we are including here:

County	Total recreational customer sales, 2018
Baker	\$29,289,306.69
Benton	\$9,895,076.57
Clackamas	\$29,466,290.08
Clatsop	\$9,770,566.74
Columbia	\$6,469,202.98
Coos	\$9,544,150.41
Curry	\$8,172,691.77
Deschutes	\$33,741,841.90
Douglas	\$8,876,922.59
Grant	\$226,812.12
Harney	\$965,903.49
Hood River	\$3,923,052.34
Jackson	\$25,452,160.42
Jefferson	\$2,754,442.80
Josephine	\$6,071,292.44
Lake	\$533,054.94
Lane	\$57,258,147.21
Lincoln	\$12,853,814.35
Linn	\$13,170,793.54
Marion	\$40,221,217.97
Multnomah	\$175,932,822.72
Polk	\$5,710,179.68
Tillamook	\$6,036,612.29
Umatilla	\$8,906,468.37
Wasco	\$3,366,718.55
Washington	\$63,158,350.92
Yamhill	\$11,665,887.47