

ANALYSIS

Item 47: Oregon Liquor and Cannabis Commission Privilege Tax Reporting

Analyst: Tim Walker

Request: Increase Other Funds expenditure limitation by \$504,000 for additional administrative expenses for the continued development of the online beer and wine privilege tax report system.

Analysis: The Oregon Liquor and Cannabis Commission (OLCC) is requesting an increase in Other Funds expenditure limitation of \$504,000 to continue the development of the beer and wine privilege tax reporting system. The current contractor has implemented and rolled out the reporting and payment portals for warehouse/distributors and brewery license types. It has become apparent that additional system changes are required to make the system more compatible with the specific reporting needs of warehouses, distributors, breweries, and wineries. The proposed changes include allowing users to directly upload data instead of manually entering data into the system and providing additional technical support for stakeholders during the system rollout to wineries.

The original contract had a predefined number of change orders provided and limited the amount of help desk support. The additional expenditure limitation will allow OLCC to amend the contract to address the needed system or service changes.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$504,000 in the Other Funds expenditure limitation for the Oregon Liquor and Cannabis Commission to cover additional administrative expenses for the continued development of the online beer and wine privilege tax report system.

47
Oregon Liquor and Cannabis Commission
Brickman

Request: Increase Other Funds expenditure limitation by \$504,000 for additional administrative expenses for the continued development of the online beer and wine privilege tax report system.

Recommendation: Approve the request during the February 2022 Legislative Session.

Discussion: During the 2019-21 biennium, the Oregon Liquor and Cannabis Commission (OLCC) began implementation of an online beer and wine privilege tax system (Privilege Tax Online) for wine and beer privilege taxes to be completed in phases by license type. OLCC and the software provider (SICPA) have completed the warehouse and distributor licensee reporting phases, but additional system changes and user support have been identified as OLCC has worked with breweries and wineries throughout the development process. The current contract limits the number of changes that may occur, as well as the amount of technical help desk support to be provided by SICPA. These changes are required for implementation of wine licensee reporting, which is now scheduled for 2022.

Implementation of the reporting and payment portals for the distributor, warehouse, and brewery types is complete. As implementation of additional phases continue, input from end users resulted in requests for changes to the original system to make it more compatible with the industry accounting systems. Additionally, external user technical support requests have grown beyond OLCC's capacity, which requires an enhancement to the technical support/help desk function.

The original contract for the SICPA Online Privilege tax system was \$7.5 million, beginning in the 2019-21 biennium. The contract is for a 10-year period and is intended to cover development costs for the Online Privilege tax system and subscription costs of \$555,000 per year. OLCC is requesting additional limitation to amend the contract for change orders and additional help desk support, which will bring the contract to \$8.3 million making a difference of approximately \$0.8 million. The cost increases are listed below:

1. \$175,000 for change orders;
2. \$329,000 for additional help desk; and
3. \$150,000 for a one-year extension of the winery license roll out into the online system.

OLCC can absorb the \$150,000 cost of the one-year extension but needs an additional \$0.5 million Other Funds expenditure limitation for the change order and additional help desk support.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 640, section 1(1), Oregon Laws 2021, for the Oregon Liquor and Cannabis Commission, by \$504,000 for the 2021-23 biennium.



Oregon

Kate Brown, Governor

Liquor and Cannabis Commission

9079 SE McLoughlin Blvd.
Portland, Oregon 97222-7355
503-872-5000
800-452-6522
www.oregon.gov/olcc

December 6, 2021

Senator Elizabeth Steiner Hayward, Co-Chair
Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons;

Nature of the Request

OLCC is implementing an online electronic system for the reporting of taxes for beer and wine also known as Privilege Tax. The implementation is being done through a contracted, third party software as service provider (SICPA) that will host and maintain the reporting portal. The wine and beer online tax and reporting system is being implemented in phases by beer and wine license type. The OLCC and software provider have completed the warehouse/distributor and brewery licensee reporting phases. However, additional needs for system changes (change orders) and technical user support (help desk) have been identified as we continue work with breweries and plan onboarding of wineries. The current contract limits the amount of change orders that could be done and the amount of technical help desk support OLCC can utilize provided by SICPA. These changes are required for successful implementation of wine licensee reporting which is now scheduled for 2022.

Agency Action

The agency has implemented the reporting and payment portals for the distributor, warehouse and brewery license types. As agency staff continue to engage with the breweries, it became clear that additional system changes (change orders) were required to meet their reporting needs. Input from these users has led us to make changes to the original system to make it more compatible with the industry accounting systems including allowing the download of files rather than direct entering of information. Additionally, the level of external user technical support requests has grown beyond what OLCC staff can manage. The technical support/help desk function will need to be enhanced by the contractor as a greater number of licensees come in to the system including wineries, which tend to have less sophisticated users. OLCC and the contractor continue to reach out to the industry to make the system more user friendly and implement changes where possible for a successful, long-term solution.

Action Requested

OLCC requests an addition of \$504,000 in additional limitation for administrative expenses for the continued development of the online beer and wine privilege tax report system in the 2021-23 biennium. This will allow OLCC to amend the contract with the current provider (SICPA) to provide enhanced help desk services related to the recent addition of breweries and upcoming onboarding of wineries into the system and allow the provider to make system changes that will improve the ability for licensees to electronically upload their information.

Legislation Affected

Increase the Other Funds expenditure limitation established by Chapter 640, Section 1(1), Oregon Laws for the Oregon Liquor and Cannabis Commission, Administrative Expenses by **\$504,000** for the 2021-2021 biennium.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Steve Marks". The signature is fluid and cursive, with the first name "Steve" and last name "Marks" clearly legible.

Steve Marks
Executive Director

cc:

Michelle Deister, Legislative Fiscal Office Analyst

Tamara Brickman, Chief Financial Office Analyst