

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
81st Oregon Legislative Assembly
2021 Regular Session
Legislative Revenue Office

Bill Number:	SB 864 - 3
Revenue Area:	Marijuana Revenue
Economist:	Mazen Malik
Date:	06-14-2021

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Increases maximum percentage of tax that governing body of city or county may impose on sale of marijuana items.

Revenue Impact:

This is an enabling legislation for local government taxation. It increases the maximum allowed local tax on marijuana sale from 3% to 10%. The impacts of this measure would be for the local governments that choose to go through the process of increasing their local taxes.

Impact Explanation:

Marijuana is taxed 17% of the retail price at the point of sale with local governments allowed to impose their own taxes up to a maximum of 3%. Prior to Measure-110, proceeds from the state tax were distributed in specified percentages to the State School Fund (40%), the Mental health services (20%), Alcoholism and Drug prevention (5%), the State Police Account (15%), and local governments get 10% for cities and 10% for counties. Measure-110 limited these uses to \$45 million each year effective January 1, 2021, any amounts above that are transferred to the Drug Treatment and Recovery Services.

Total marijuana revenue from the state 17% is about \$140 to \$150 million a year. The revenue from local taxes to the jurisdictions that levy their own 3%, is about \$22 to \$23 million per year. If any local jurisdiction increases its taxes to 10%, their revenue is not likely to increase linearly. Some consumers will look to purchase less expensive products in neighboring cities or counties. However, that local displacement is not expected to significantly reduce the total demand and consumption throughout the state.

The revenue resulting from the new tax increase by a city is requires to be shared with the county, where the retail establishment is located, at the rate of 20%.

Creates, Extends, or Expands Tax Expenditure: Yes No