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81st LEGISLATIVE ASSEMBLY
Senate Committee on Health Care
State Capitol
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To: Senator Burdick and Representative Nathanson, Co-Chairs, Joint Committee on Tax Expenditures
From: Senator Deb Patterson
Date: April 7, 2021
Subject: Senate Bill 157 – Medical Marijuana Tax Exemption

The Senate Committee on Health Care heard Senate Bill 157 and recommends passage. If passed, this bill would enact an express sunset of January 1, 2028 on the exemption from tax on the retail sale of marijuana items by medical marijuana registry cardholders.

Below are responses to questions posed by Rep. Nathanson, in a memo distributed to the House Policy committee chairs on February 4, 2021 and the Legislative Revenue Office's [Research Report #2-21](#), Tax Credit Review: 2021 Session. The responses are based upon the report's findings and the Health Care Committee's deliberations.

1. What is the public policy purpose of the tax expenditure?

House Bill 2041 (2015) established a 17 percent tax on the sale of recreational marijuana items in response to the legalization of recreational marijuana by Measure 91 (2014). Senate Bill 1601 (2016) created an exemption from this tax for medical marijuana registry cardholders. Medical marijuana has not been subject to a tax since its legalization in 1998 (Measure 67).

2. What is the expected timeline to achieve the policy goal?

Senate Bill 157 would apply the maximum six-year period established in ORS 315.037.

3. Who are the direct beneficiaries?

Medical marijuana registry cardholders (and their caregivers) benefit from the current tax exemption as the exemption alleviates the financial burden on patients

with a medical necessity who already pay a fee to access medical marijuana.

Potential sunset of the tax exemption in 2028 would benefit the Oregon Medical Marijuana Program (OMMP) that currently relies on fees to pay for administration.

4. Is it an effective and efficient way to achieve the policy goal?

Sunsetting the tax exemption could supplant or supplement patient fees for the OMMP that supports registration of patients and regulatory oversight of medical marijuana grow sites and facilities.

5. What information is available from other states with a similar policy?

Most states with legalized medical marijuana do not tax medical marijuana, though the purchase is often subject to retail sales taxes. States that do apply an excise tax on medical marijuana do so at a lower rate (between four to seven percent).

6. Are there suggested changes to make the tax expenditure more effective or efficient?

N/A

7. What other direct and indirect expenditures does Oregon make to achieve the same or similar policy goal?

Medical marijuana cardholders must pay an annual fee of \$200 for a medical marijuana card. This fee can be reduced depending on the cardholder's qualifying status. Card fees for patients total approximately \$2.14 million annually. Approximately 45 percent of patients pay full price for the annual fee. As of January 2021, there are approximately 22,600 medical marijuana registry cardholder patients and 8,600 registered caregivers.

8. Would a direct appropriation be more efficient?

N/A

9. What other kinds of incentives might achieve a similar policy goal?

N/A

10. What are the consequences of allowing the tax expenditure to sunset?

N/A. Senate Bill 157 would implement a sunset on tax exemption that does not currently exist.