



CITY OF BEND



Support SB 1506 - Enhance Local Marijuana Revenues

With the passage of Measure 110 there has been a massive reduction in allocations of state marijuana tax distributions to local government.

- The state imposes a 17% tax on recreational marijuana, local governments are limited to a 3% tax with voter approval.
- Until the end of 2020 cities and counties each received 10% of net *state* tax revenues, so 20% total. Under Measure 110 the distribution to cities and counties was reduced to a flat \$9M annually, which is not indexed and will not grow with the market.

Cities and counties will lose over \$50M in state marijuana revenue for the 2021-23 biennium, a reduction of over 73%.

- The December OEA forecast projects over \$340.4M in state tax revenue (net of administrative cost) for the 2021-23 biennium.
- Before Measure 110 cities and counties would have each received 10%, or about \$68.1M total for the biennium, instead locals will receive \$18M.

Other bills this session will not backfill local revenue losses.

- Cities appreciate and support the change in HB 4056 to index the reduced distributions to the Consumer Price index, but that change alone will not address the \$50M in projected revenue loss.
- Cities would prefer that bill to be amended to backfill for the \$50M loss, cities are already feeling the effects of this lost revenue.

Cities strongly support SB 1506 to allow local governments to increase local marijuana taxes from the current maximum of 3% up to a 10% cap.

- Consistent with our position even before Measure 110 cities are asking that local voters be allowed to increase their local marijuana taxes.
- SB 1506 includes a negotiated agreement that 20% of increased city revenues will be shared with the county where the store is located.

City revenues are struggling due to the pandemic and longstanding issues with the property tax system, Measure 110 is only making these problems worse. Cities need the Legislature's help.

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Oregon would still have recreational marijuana taxes at least 10% lower than other West Coast states under SB 1506.

- Even with a local tax of up to 10% and a state tax of 17% Oregon will be well below Washington (over 45% possible including general sales taxes) or California (about 40% possible *not including* cultivator tax).

Many industry claims about the effect of the local tax on businesses are overstated.

- The local marijuana tax is a tax on consumers, not businesses, this tax will be passed through by the retailer.
- Industry numbers on total tax rates speak to an issue with federal income tax regulations preventing ordinary business deductions, not sales taxes.

Unbiased academic studies contradict industry economist claims on elasticity of demand.

- One industry economist has projected increasing taxes would significantly decrease demand and result in a net loss of tax revenue.
- Washington State provides the best empirical example of a state increasing their marijuana tax, academic research papers by the University of Oregon and UCLA/Yale do not support the bill opponent's projections.¹ Oregon will still be well below the overall Washington tax rate after SB 1506, and well below the point at which taxes do not generate additional revenue.

Logic does not support industry claims about a rush to the black market.

- Most literature on the illicit market focuses on cross border sales into states that prohibit legal marijuana, keeping current tax levels on sales inside Oregon does nothing to address that issue.
- Price sensitive consumers can always move to lower priced products or avoid the marijuana tax entirely by growing their own marijuana.
- Oregon marijuana prices inclusive of tax are some of the lowest in the country and will remain so after SB 1506.
- Price is not the only consideration, Oregonians accustomed to patronizing safe well-lit stores with regular business hours and a variety of products will likely be reluctant to return to the days of having to meet up with illicit dealers.

LOC Contact

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¹[The Taxation of Recreational Marijuana: Evidence from Washington State, August 2017](#)
[Taxation and Market Power in the Legal Marijuana Industry, October 2018](#)