



Staff Report

File #: 17-27

Version: 2

Date: 2/13/2017

Item #: 7.2a.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: David Lacy, Financial Operations Manager

SUBJECT:

Amendments to SRC Chapter 32 - Marijuana Sales Tax, to conform the City's regulations to the Oregon Department of Revenue tax collection and enforcement procedures - Ordinance Bill No. 2-17.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

ISSUE:

Shall the City Council conduct second reading of Ordinance Bill No. 2-17, which amends SRC Chapter 32 to conform the City's marijuana sales tax collection and enforcement procedures with state law, and declaring an emergency?

RECOMMENDATION:

Conduct second reading of Ordinance Bill No. 2-17, which amends SRC Chapter 32 to conform the City's marijuana sales tax collection and enforcement procedures with state law, and declaring an emergency.

SUMMARY AND BACKGROUND:

SRC Chapter 32, Marijuana Sales Tax, was approved by Salem voters and became effective in January 2017. At its January 9, 2017 meeting, Council authorized staff to execute an agreement with the Oregon Department of Revenue ("DOR") to allow DOR to administer the City's collection and enforcement program as permitted by state law.

DOR has requested that the City amend its regulations for administration of the marijuana sales tax to: 1) give express authority to DOR to administer the City's program; and 2) conform the City's collection and enforcement procedures to state law. DOR has made these requests in order for DOR to provide uniform administration of marijuana sales tax programs for the multiple local jurisdictions.

FACTS AND FINDINGS:

The proposed amendments are substantially similar to model language drafted by the Oregon League of Cities in consultation with DOR. Ordinance Bill No. 2-17 amends SRC 32.025 - Penalties and Interest, and SRC 32.065 - Forms and Regulations, as set forth below:

SRC 32.025:

- Interest added for late or short payments will at the rate set by ORS 305.220 - currently 5/6 of one percent per month (10% per annum);
- Adopts the penalty provisions of ORS 314.400 for a failure to file a return;
 - 5% penalty for a late return;
 - 20% penalty for a return filed more than three months late;
 - 25% penalty for no return filed, and;
 - Potential penalty of 100% if the failure to file is with the intent to evade the tax, or a false return;
- Eliminates the Director's authority to waive or refund a penalty;
- Gives express authority for DOR to administer the City's program, and enforce collection of the tax;
- SRC 32.025 currently provides for a penalty of 10% for late or short payments, with an additional 10% penalty for payments that are more than 60 days late. In cases of fraud, the Director may impose an additional penalty of up to 25%.

SRC 32.065:

- Provides express authority for the City to enter into agreements to allow DOR to administer the City's program.

In order to ensure that the DOR can administer the collection of tax revenue as soon as payments begin to arrive in late February, an emergency clause has been added to Ordinance Bill No. 2-17 so that it will be in full force and effect upon passage.

David Lacy
Financial Operations Manager

Attachments:

1. Ordinance Bill No. 2-17