

CITY OF SILVERTON
ORDINANCE
16-06

AN ORDINANCE OF THE SILVERTON CITY COUNCIL IMPOSING A THREE PERCENT TAX ON THE SALE OF MARIJUANA PRODUCTS BY A MARIJUANA RETAILER, REFERRING ORDINANCE AND ADDING A NEW CHAPTER 3.15, MARIJUANA TAX TO SILVERTON MUNICIPAL CODE; TITLE 3, REVENUE AND FINANCE

WHEREAS, the Silverton City Council desires to impose a tax on the sale of marijuana products by a marijuana retailer in areas subject to the jurisdiction of the City; and

WHEREAS, ORS 475B.345(2) allows city councils to adopt ordinances imposing up to a three percent (3%) tax or fee on the sale of marijuana products by a marijuana retailer in areas subject to the jurisdiction of the City provided said ordinance is referred to the electors of the City for approval at the next statewide general election.

NOW THEREFORE THE CITY OF SILVERTON ORDAINS AS FOLLOWS:

Section 1: The Silverton Municipal Code is amended to add Title 3, Revenue and Finance; Chapter 3.15, Marijuana Tax as follows:

Chapter 3.15
Marijuana Tax

Sections:	
3.15.010	Purpose
3.15.020	Definitions
3.15.030	Levy of Tax
3.15.040	Deductions
3.15.050	Marijuana Retailer Responsible for Payment of Tax
3.15.060	Penalties and Interest
3.15.070	Failure to Report and Remit Tax – Determination of Tax by Manager
3.15.080	Appeal
3.15.090	Refunds
3.15.100	Actions to Collect
3.15.110	Violation Infractions
3.15.120	Confidentiality
3.15.130	Audit of Books, Records or Persons
3.15.140	Forms and Regulations

3.15.010 Purpose.

For the purposes of this chapter, every person who sells marijuana products in the City of Silverton is exercising a taxable privilege. The purpose of this chapter is to impose a tax upon the retail sale of marijuana products.

3.15.020 Definitions.

When not clearly otherwise indicated by the context, the following words and phrases as used in this chapter have the following meanings:

- A. "Cannabinoid" means any of the chemical compounds that are the active constituents of marijuana.
- B. "Cannabinoid product" means a cannabinoid edible and any other product intended for human consumption or use, including a product intended to be applied to the skin or hair, that contains cannabinoids or dried marijuana leaves or flowers. It does not include: (1) usable marijuana by itself; (2) a cannabinoid concentrate by itself; (3) a cannabinoid extract by itself; or (4) industrial hemp.
- C. "Gross Taxable Sales" means the total amount received in money, credits, property or other consideration from sales of marijuana, and marijuana-infused products that is subject to the tax imposed by this chapter.
- D. "Manager" means the City Manager of the City of Silverton or their designee.
- E. "Marijuana" means all parts of the plant of the Cannabis family Moraceae, whether growing or not; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant or its resin, as may be defined by Oregon Revised Statutes as they currently exist or may from time to time be amended. It does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted there from), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination.
- F. "Marijuana Facilities" means recreational Marijuana Producers, recreational Marijuana Processors, recreational marijuana retailers and recreational marijuana wholesalers.
- G. "Marijuana Retailer" means a facility licensed by the Oregon Liquor Control Commission to sell marijuana to a consumer.
- H. "Marijuana Processor" means a facility licensed by the Oregon Liquor Control Commission or registered by the Oregon Health Authority that the process, compound or convert marijuana into cannabinoid products, cannabinoid concentrates or cannabinoid extract.
- I. "Marijuana Producer" means a facility that is licensed by the Oregon Liquor Control Commission to manufacture, plant, cultivate, grow or harvest marijuana.
- J. "Marijuana Products" means cannabinoid concentrate, cannabinoid extract, cannabinoid product or marijuana.
- K. "Marijuana Wholesaler" means a facility licensed by the Oregon Liquor Control Commission to purchase marijuana products in Oregon for resale to a person other than a consumer.
- L. "Person" means natural person, joint venture, joint stock company, partnership, association, club, company, corporation, business, trust, organization, or any group or combination acting as a unit, including the United States of America, the State of Oregon

and any political subdivision thereof, or the manager, lessee, agent, servant, officer or employee of any of them.

- M. "Oregon Liquor Control Commission" the state agency responsible for regulating the sale of recreational marijuana in Oregon through the Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act.
- N. "Purchase or Sale" means the retail acquisition or furnishing for consideration by any person of marijuana within the City and does not include the acquisition or furnishing of marijuana by a grower or processor to a marijuana retailer.
- O. "Retail sale" means the transfer of goods or services in exchange for any valuable consideration and does not include the transfer or exchange of goods or services between a grower or processor and a marijuana retailer.
- P. "Tax" means either the tax payable by the marijuana retailer or the aggregate amount of taxes due from a marijuana retailer during the period for which the marijuana retailer is required to report collections under this chapter.
- Q. "Taxpayer" means any person obligated to account to the City Manager for taxes collected or to be collected, or from whom a tax is due, under the terms of this chapter.

3.15.030 Levy of Tax.

- A. Marijuana products as defined in this chapter are subject to and must pay a tax for exercising that privilege. This tax is in addition to any other taxes or fees required by the City.
- B. The amount of tax levied is as follows:
 - 1. Three percent (3%) of the gross sale amount paid to the marijuana retailer of marijuana and marijuana infused products by persons who are purchasing marijuana and marijuana-infused products but are not doing so under the provisions an Oregon Liquor Control Commission license.

3.15.040 Deductions.

The following deductions are allowed against sales received by the marijuana retailer providing marijuana products:

- A. Refunds of sales actually returned to any purchaser;
- B. Any adjustments in sales that amount to a refund to a purchaser, providing such adjustment pertains to the actual sale of marijuana or marijuana-infused products and does not include any adjustments for other services furnished by a marijuana retailer.

3.15.050 Marijuana retailer Responsible For Payment Of Tax.

- A. Every marijuana retailer must, on or before the last day of the month following the end of each calendar quarter (in the months of April, July, October and January) make a return to the Manager, on forms provided by the City, specifying the total sales subject to this chapter and the amount of tax collected under this chapter. The marijuana retailer may request or the Manager may establish shorter reporting periods for any marijuana retailer if the marijuana retailer or Manager deems it necessary in order to ensure collection of the tax. The Manager may require further information in the return relevant to payment of the tax. A return is not considered filed until it is actually received by the Manager.
- B. At the time the return is filed, the marijuana retailer must remit to the Manager the full amount of the tax collected. Payments received by the Manager for application against existing liabilities will be credited toward the period designated by the taxpayer under

- conditions that are not prejudicial to the interest of the City. A condition considered prejudicial is the imminent expiration of the statute of limitations for a period or periods.
- C. The City will apply non-designated payments in the order of the oldest liability first, with the payment credited first toward any accrued penalty, then to interest, then to the underlying tax until the payment is exhausted. Crediting of a payment toward a specific reporting period will be first applied against any accrued penalty, then to interest, then to the underlying tax.
 - D. If the Manager, in his or her sole discretion, determines that an alternative order of payment application would be in the best interest of the City in a particular tax or factual situation, the Manager may order such a change. The Manager may establish shorter reporting periods for any marijuana retailer if the Manager deems it necessary in order to ensure collection of the tax. The Manager also may require additional information in the return relevant to payment of the liability. When a shorter return period is required, penalties and interest will be computed according to the shorter return period. Returns and payments are due immediately upon cessation of business for any reason. Marijuana retailers must hold in trust all taxes collected pursuant to this chapter for the City's account until the marijuana retailer makes payment to the Manager. A separate trust bank account is not required in order to comply with this provision.
 - E. Every marijuana retailer must keep and preserve records of all sales in an accounting format as required by Oregon Liquor Control Commission.

3.15.060 Penalties and Interest.

- A. Any marijuana retailer who fails to remit any portion of any tax imposed by this chapter within the time required must pay a penalty of 10 percent of the amount of the tax, in addition to the amount of the tax.
- B. If any marijuana retailer fails to remit any delinquent remittance on or before a period of 60 days following the date on which the remittance first became delinquent, the marijuana retailer must pay a second delinquency penalty of 10 percent of the amount of the tax in addition to the amount of the tax and the penalty first imposed.
- C. If the Manager determines that the nonpayment of any remittance due under this chapter is due to fraud, a penalty of 25 percent of the amount of the tax will be added thereto in addition to the penalties stated in subparagraphs A and B of this section.
- D. In addition to the penalties imposed, any marijuana retailer who fails to remit any tax imposed by this chapter must pay interest at the rate one percent per month or fraction thereof on the amount of the tax, exclusive of penalties, from the date on which the remittance first became delinquent until paid.
- E. Every penalty imposed, and any interest as accrues under the provisions of this section, becomes a part of the tax required to be paid.
- F. All sums collected pursuant to the penalty provisions in paragraphs A through C of this section will be distributed to the City's General Fund.
- G. Waiver of Penalties. Penalties for late tax payments may be waived or reduced if approved by City Council pursuant to City Council policy. Nothing in this subsection requires the City to reduce or waive penalties.

3.15.070 Failure To Report and Remit Tax – Determination of Tax by Manager.

- A. If any marijuana retailer fails to make any report of the tax required by this chapter within the time provided in this chapter, the Manager will proceed to obtain facts and information on which to base the estimate of tax due. As soon as the Manager procures

such facts and information upon which to base the assessment of any tax imposed by this chapter and payable by any marijuana retailer, the Manager will determine and assess against such marijuana retailer the tax, interest and penalties provided for by this chapter.

- B. If the Manager makes a determination as outlined in subsection A, the Manager must give notice to the marijuana retailer of the amount assessed. The notice must be personally served on the marijuana retailer or deposited in the United States mail, postage prepaid, addressed to the marijuana retailer at the last known place of address.
- C. The marijuana retailer may appeal the determination as provided in section 3.15.080. If no appeal is timely filed, the Manager's determination is final and the amount assessed is immediately due and payable.

3.15.080 Appeal.

- A. Any marijuana retailer aggrieved by any decision of the Manager with respect to the amount of the tax owed along with interest and penalties, if any, may appeal the decision to the City Council.
- B. The marijuana retailer must file the written notice of appeal within 10 days of the City's serving or mailing of the determination of tax due.
- C. The Council's decision is final subject only to judicial review pursuant to ORS 34.010 et seq.
- D. The City will serve the findings upon the appellant in the same manner as that used to give notice for a tax determination in section 3.15.070. Any amount found to be due is immediately due and payable upon the service of notice.

3.15.090. Refunds.

- A. The City may refund to the marijuana retailer any tax, interest or penalty amount under any of the following circumstances:
 - 1. the marijuana retailer has overpaid the correct amount of tax, interest or penalty;
 - or
 - 2. the marijuana retailer has paid more than once for the correct amount owed; or
 - 3. the City has erroneously collected or received any tax, interest or penalties.
- B. The City may not issue a refund under this subsection unless the marijuana retailer provides to the Manager a written claim under penalty of perjury stating the specific grounds upon which the claim is founded and on forms furnished by the Manager. The marijuana retailer must file the claim within one year from the date of the alleged incorrect payment to be eligible for a refund.
- C. The Manager has 20 calendar days from the date of the claim's receipt to review the claim and make a written determination as to its validity. After making the determination, the Manager will notify the claimant in writing of the determination by mailing notice to the claimant at the address provided on the claim form.
- D. If the Manager determines the claim is valid, the claimant may either claim a refund or take as credit against taxes collected and remitted the amount that was overpaid, paid more than once, or erroneously received or collected by the City. The claimant must notify the Manager of the claimant's choice no later than 15 days following the date the Manager mailed the determination and the claimant must do so in a manner prescribed by the Manager.
- E. If the claimant does not notify the Manager of claimant's choice within the 15-day period and the claimant is still in business, the City will grant a credit against the tax liability for

the next reporting period. If the claimant is no longer in business, the City will mail a refund check to claimant at the address provided in the claim form.

- F. The City will not pay a refund unless the claimant establishes by written records the right to a refund and the Manager acknowledges the claim's validity.

3.15.100 Actions to Collect.

Any tax required to be paid by any marijuana retailer under the provisions of this chapter is a debt owed by the marijuana retailer to the City. Any tax collected by a marijuana retailer that has not been paid to the City is a debt owed by the marijuana retailer to the City. Any person owing money to the City under the provisions of this chapter is liable to an action brought in the name of the City of Silverton for the recovery of the amount owing. In lieu of filing an action for the recovery, the City, when taxes due are more than 30 days delinquent, may submit any outstanding tax to a collection agency. So long as the City has complied with the provisions set forth in ORS 697.105, if the City turns over a delinquent tax account to a collection agency, it may add to the amount owing an amount equal to the collection agency fees, not to exceed the greater of \$50.00 or 50 percent of the outstanding tax, penalties and interest owing.

3.15.110 Violation Infractions.

- A. In addition to the penalties provided in section 3.15.060, a violation of this chapter is punishable as set forth in Silverton Municipal Code; Title 1, General Provisions; Chapter 1.08, General Penalty. It is a violation of this chapter for any marijuana retailer or other person to:
 - 1. Fail or refuse to comply as required herein;
 - 2. Fail or refuse to furnish any return required to be made;
 - 3. Fail or refuse to permit inspection of records;
 - 4. Fail or refuse to furnish a supplemental return or other data required by the Manager;
 - 5. Render a false or fraudulent return or claim; or
 - 6. Fail, refuse or neglect to remit the tax to the City by the due date.
- B. The remedies provided by this section are not exclusive and do not prevent the City from exercising any other remedy available under the law.
- C. The remedies provided by this section do not prohibit or restrict the City or other appropriate prosecutor from pursuing criminal charges under state law or City ordinance.

3.15.120 Confidentiality.

Except as otherwise required by law, it is unlawful for the City, any officer, employee or agent to divulge, release or make known in any manner any financial information submitted or disclosed to the City under the terms of this chapter. Nothing in this section prohibits any of the following:

- A. The disclosure of the names and addresses of any person who is operating a licensed establishment from which marijuana is sold or provided; or
- B. The disclosure of general statistics in a form which would not reveal an individual marijuana retailer's financial information; or
- C. Presentation of evidence to the court, or other tribunal having jurisdiction in the prosecution of any criminal or civil claim by the Manager or an appeal from the Manager for amount due the City under this chapter; or
- D. The disclosure of information when such disclosure of conditionally exempt information is ordered under public records law procedures; or

- E. The disclosure of records related to a business' failure to report and remit the tax when the report or tax is in arrears for over six months or when the tax exceeds \$5,000. The City Council expressly finds that the public interest in disclosure of such records clearly outweighs the interest in confidentiality under ORS 192.501(5).

3.15.130 Audit of Books, Records or Persons.

The City may examine or may cause to be examined by an agent or representative designated by the City for that purpose, any books, papers, records, or memoranda, including copies of marijuana retailer's state and federal income tax return, bearing upon the matter of the marijuana retailer's tax return for the purpose of determining the correctness of any tax return, or for the purpose of an estimate of taxes due. All books, invoices, accounts and other records must be made available within the City limits and be open at any time during regular business hours for examination by the Manager or an authorized agent of the Manager. If any taxpayer refuses to voluntarily furnish any of the foregoing information when requested, the Manager may immediately seek a subpoena from the Silverton Municipal Court to require that the taxpayer or a representative of the taxpayer attend a hearing or produce any such books, accounts and records for examination.

3.15.140 Forms And Regulations.

A. The Manager is authorized to prescribe forms and promulgate rules and regulations to aid in the making of returns, the ascertainment, assessment and collection of the marijuana tax and to provide for:

1. A form of report on sales and purchases to be supplied to all vendors;
2. The records that marijuana retailers providing marijuana and marijuana-infused products must keep concerning the tax imposed by this chapter.

Section 2: This ordinance shall be effective December 8, 2016.

Ordinance adopted by the electors of the City of Silverton, this 8th day of November, 2016.



Mayor, City of Silverton
Rick Lewis

ATTEST



City Manager/Recorder, City of Silverton
Bob Willoughby