



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: RES 22-183

October 18, 2022

Introduced: 9/29/2022

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Resolution

Consider adoption of a resolution to authorize the Treasurer-Tax Collector to conditionally waive all penalties and interest on unpaid installments of the annual commercial cannabis business tax imposed on cultivation activities for the first quarter of Fiscal Year 2022-2023, so long as the full amount due for that quarter is received by the Treasurer-Tax Collector on or before January 31, 2023.

RECOMMENDATION:

Staff recommends that the Board of Supervisors:

Consider adoption of a resolution to authorize the Treasurer-Tax Collector to conditionally waive all penalties and interest on unpaid installments of the annual commercial cannabis business tax imposed on cultivation activities for the first quarter of Fiscal Year 2022-2023, so long as the full amount due for that quarter is received by the Treasurer-Tax Collector on or before January 31, 2023.

SUMMARY/DISCUSSION

The County imposes an annual business tax on cannabis businesses under Monterey County Code (MCC) Chapter 7.100. That tax is collected by the Treasurer-Tax Collector. On June 1, 2022, the Cannabis Program (Program) reported to the Board of Supervisors on the implications of the decline in wholesale price points for commercial cultivation and the impacts of that decline on the cannabis industry. The Program provided the Board with six options to consider .. The Board approved the following:

1. Effective July 1, 2022, reduce the nursery, mixed-light, and indoor cultivation tax rates to \$1 per square foot, \$2 per square foot, and \$3 per square foot, respectively.
 - a. This option would not have budgetary impacts from the perspective of how the Recommended Budget is built.
 - b. This option does not present operational challenges to the Treasurer-Tax Collector's office, as the proposed effective date coincides with the start of the fiscal year and aligns with established quarterly reporting due dates.

On August 23, 2022, staff introduced Ordinance No. 5384 (Attachment A) for its first reading. On September 13, 2022, the Board adopted the now-effective Ordinance. Ordinance No. 5384 1) adopted the same cannabis cultivation tax rates retroactive to the beginning of the second quarter of FY 21-22 - \$1/square foot for nursery, \$2/square foot for mixed-light, and \$3/square foot for indoor cultivation; 2) extended the Board's previously granted conditional waiver of penalties and interests for the third and fourth quarters of FY 21-22 to January 31, 2023 while extending the conditional waiver

to the second quarter of FY 21-22; and 3) gave the Board the power to issue similar conditional waivers of penalties and interest stemming from delinquent cannabis businesses taxes in the future via resolution, rather than by ordinance.

On September 7, 2022, staff returned to the Cannabis Committee. There, the Committee expressed concern about the financial state of the industry, and, in particular, with the impending deadline for operators to pay the first quarterly installment of their FY 22-23 taxes, due and payable on October 31, 2022. Given the discussion, counsel inquired whether the Committee wished to extend the conditional waiver of penalties and interest to include FY 22-23, Quarter 1. Both members of the Committee expressed a desire to do so.

To align with this direction, staff has prepared a draft resolution that would conditionally waive all penalties and interest on unpaid installments of the annual commercial cannabis business tax imposed on cultivation activities for the first quarter of Fiscal Year 2022-2023, conditioned on full payment of the amounts due for the FY 22-23 Quarter 1 on or before January 31, 2023. (Attachment B).

OTHER AGENCY INVOLVEMENT:

No other department was involved in the preparation of both the resolution and this report.

FINANCING:

Monterey County's Cannabis Program is funded in County Administrative Office - Department 1050, Intergovernmental and Legislative Affairs Division - Unit 8533, Cannabis. The approval of this report and draft resolution will not have any budgetary impacts as the commercial cannabis business tax imposed on cultivation activities will remain due and payable within the current fiscal year.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

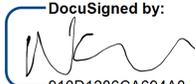
The Monterey County Cannabis Program addresses each of the Strategic Initiative Policy Areas that promote the growth of a responsible and legal Monterey County cannabis industry.

Mark a check to the related Board of Supervisors Strategic Initiatives

- X Economic Development
- X Administration
- X Health & Human Services
- X Infrastructure
- X Public Safety

Prepared by: Joann Iwamoto, Program Manager II

Approved by: Nicholas E. Chiulos, Assistant CAO

DocuSigned by:

910D1286CA694A8...

Attachments:

- A. Ordinance 5384
- B. Draft resolution