

Cannabis Tax Rate Proposal

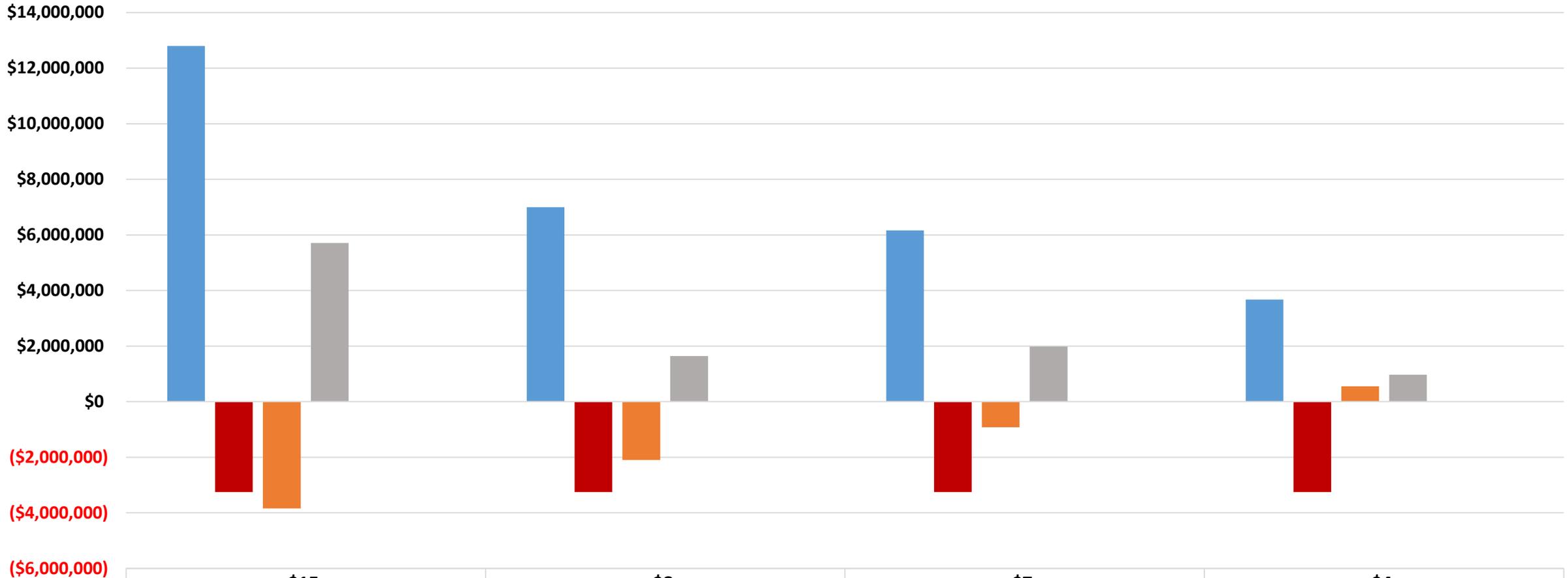
May 22, 2018



Proposed Tax Rates

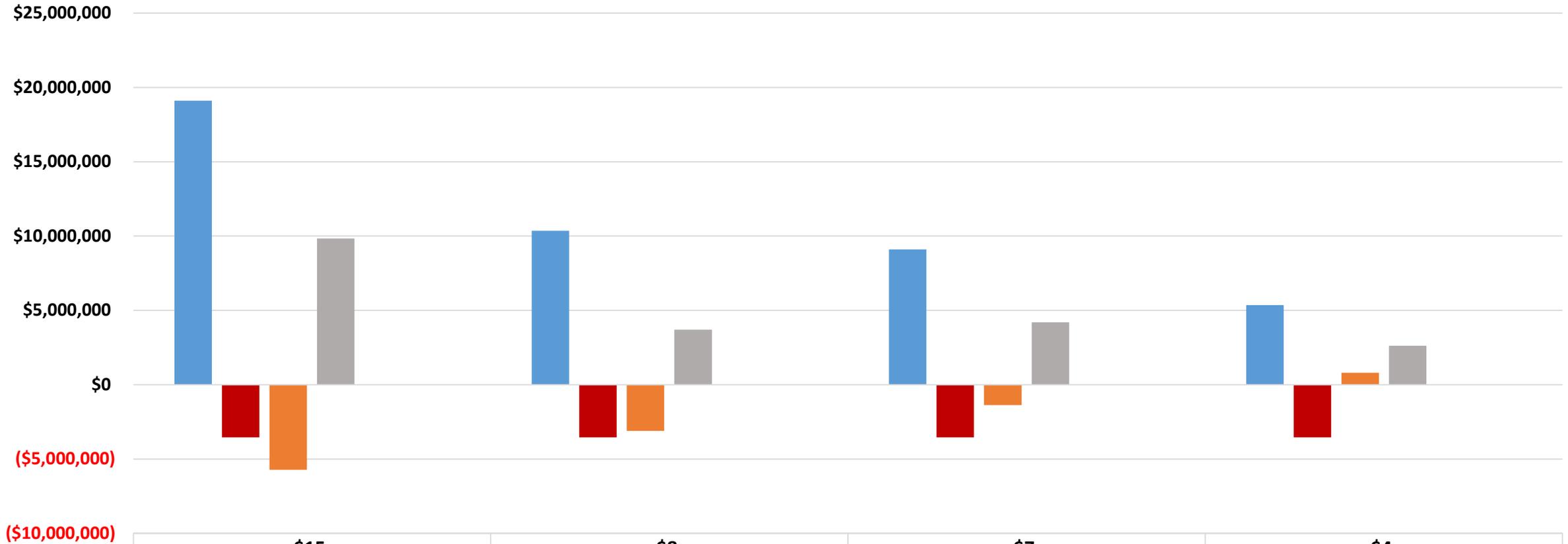
Tax	Current	Proposed
Cultivation	\$15/sq. ft.	\$4-8/sq. ft. for 1 year*
Nursery	\$2/sq. ft.	\$1/sq. ft. for 1 year*
Manufacturers	5% gross receipts	2.5% gross receipts
Distributors	5% gross receipts	2% gross receipts
Testing	5% gross receipts	1% gross receipts
Retail	5% gross receipts	4% gross receipts

Tax Rate Comparisons FY 2018 - 19



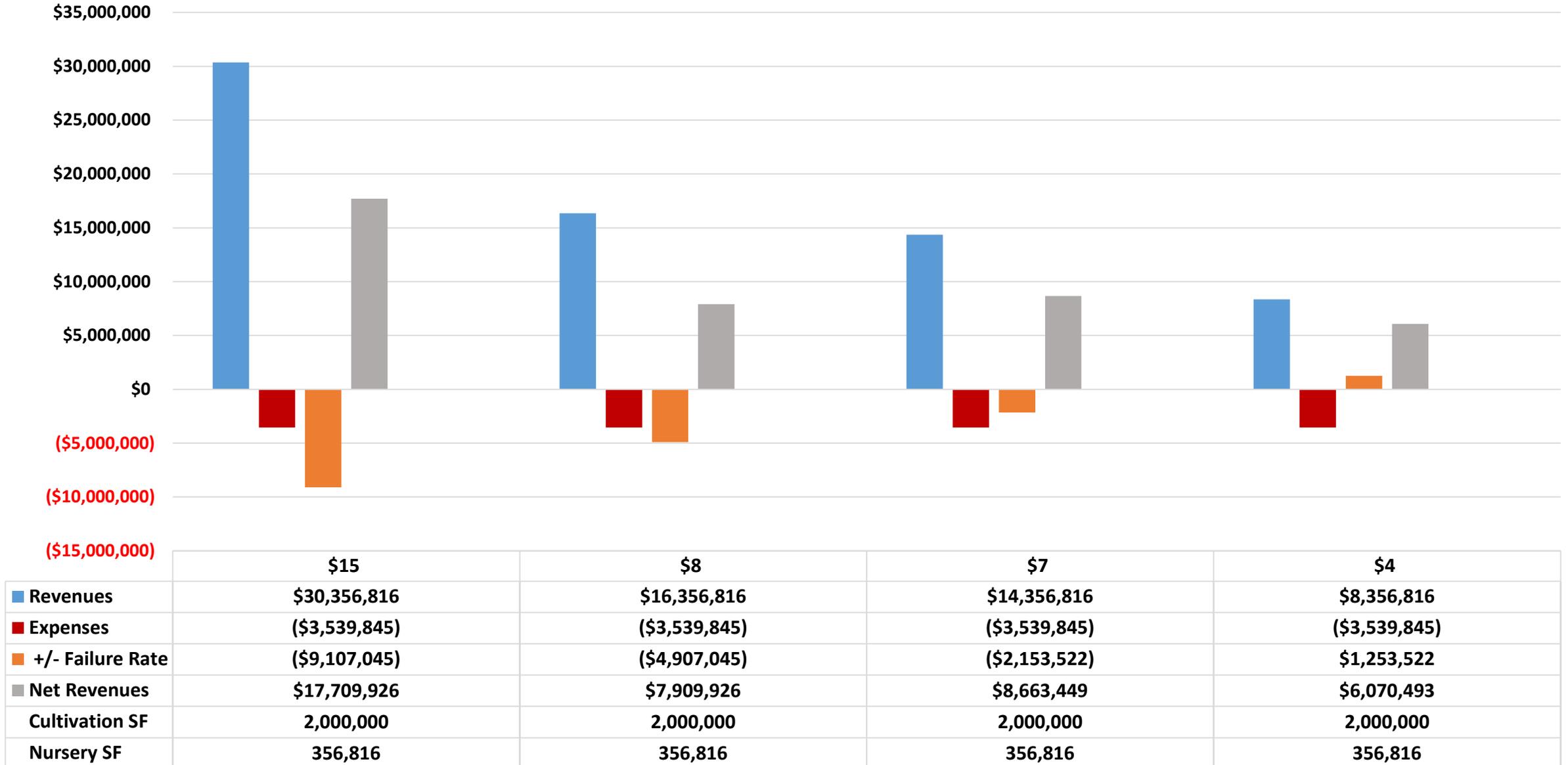
	\$15	\$8	\$7	\$4
Revenues	\$12,797,586	\$6,991,893	\$6,162,509	\$3,674,355
Expenses	(\$3,252,488)	(\$3,252,488)	(\$3,252,488)	(\$3,252,488)
+/- Failure Rate	(\$3,839,276)	(\$2,097,568)	(\$924,376)	\$551,153
Net Revenues	\$5,705,822	\$1,641,837	\$1,985,644	\$973,020
Cultivation SF	829,835	829,835	829,835	829,835
Nursery SF	356,816	356,816	356,816	356,816

Tax Rate Comparisons FY 2019 - 20



	\$15	\$8	\$7	\$4
Revenues	\$19,106,816	\$10,356,816	\$9,106,816	\$5,356,816
Expenses	(\$3,539,845)	(\$3,539,845)	(\$3,539,845)	(\$3,539,845)
+/- Failure Rate	(\$5,732,045)	(\$3,107,045)	(\$1,366,022)	\$803,522
Net Revenues	\$9,834,926	\$3,709,926	\$4,200,949	\$2,620,493
Cultivation SF	1,250,000	1,250,000	1,250,000	1,250,000
Nursery SF	356,816	356,816	356,816	356,816

Tax Rate Comparisons FY 2020 - 21



Jurisdiction Tax Rate Comparisons (Counties)

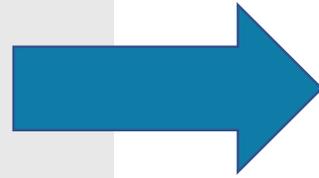
Counties	Cultivation	Nursery	Manufacturing	Distribution	Research	Retail	Testing	Microbusiness
Monterey County	\$15/sq.ft.	\$2/sq.ft.	5%/ gross receipts	5%/ gross receipts	N/A	5%/ gross receipts	5% gross receipts	N/A
Santa Cruz County	5% gross receipts	5% gross receipts	5% gross receipts	7% gross receipts	7% gross receipts	7% gross receipts	7% gross receipts	7% gross receipts
San Luis Obispo County - Ballot Measure	4% gross receipts	4% gross receipts	4% gross receipts	4% gross receipts	N/A	4% gross receipts	4% gross receipts	N/A
Santa Barbara County - Ballot Measure	4% gross receipts	1% gross receipts	N/A	1% gross receipts	N/A	6% gross receipts	N/A	6% gross receipts
San Benito County - Ballot Measure Tax Ranges	\$3 - \$17/sq.ft.	N/A	2.5-4% gross receipts	2-4% gross receipts	N/A	.5-8% gross receipts	.5-4%	2.5 - 5% gross receipts

Jurisdiction Tax Rate Comparisons (Cities)

Cities	Cultivation	Nursery	Manufacturing	Distribution	Research	Retail	Testing	Microbusiness
City of Del Rey Oaks	prohibited	prohibited	5% gross receipts	5% gross receipts	N/A	5% gross receipts	5% gross receipts	N/A
City of Gonzales	\$15/sq.ft.	\$15/sq.ft.	5% gross receipts	N/A	N/A	N/A	N/A	5% gross receipts
City of Greenfield	\$15/sq.ft.	\$2/sq.ft.	5%/ gross receipts	5%/ gross receipts	N/A	5%/ gross receipts	Exempt (4/2018)	N/A
City of King City	\$25/sq.ft. on the first 5k, \$10/sq.ft. thereafter	\$5/sq.ft.	\$30k fee	N/A	N/A	N/A	\$30k fee	N/A
City of Salinas	\$15/sq.ft.	\$2/sq.ft.	5% gross receipts	N/A	N/A	5% gross receipts	N/A	Varies
City of Seaside	2% gross receipts	N/A	2% gross receipts	2% gross receipts	2% gross receipts	6% gross receipts	2% gross receipts	N/A

Square Foot Comparison to Gross Receipts

Counties	Comparative Gross Receipts Rate (Cultivation)
Monterey County	6.5% gross receipts (\$15/sf)
Santa Cruz County	5% gross receipts
San Luis Obispo County - Ballot Measure	4% gross receipts
Santa Barbara County - Ballot Measure	4% gross receipts



Square Foot Rate	Comparative Gross Receipts Rate
\$4	1.8%
\$7	3.1%
\$9-\$10	4%
\$15	6.5%

Source: HdL

Amend Canopy Definition and Penalties

- Amend the penalty for unpaid cannabis taxes to 10% plus interest after the due date, and then an additional 10% plus interest after one month if the tax remains unpaid.
- Amend the definition of ‘canopy’ contained in Chapters 7.90 and 7.100 to be consistent with the state’s definition.
 - On May 18, 2018 , three state licensing agencies re-adopted and made amendments to their emergency regulations. One of the amendments was to change the definition of canopy.
 - Staff recommends:
 - Wait to modify the County’s definition of canopy
 - Allow time to fully evaluate the ramifications of the state’s modification and until the state’s permanent regulations are released because the definition may further change.

Resource Management Agency

- If workload is increased without adding resources, need to prioritize
 - Some things will be less of a priority and take longer to complete, or not get done
- Cannabis Regulatory work will be a priority
 - Long Range planning will be less of a priority
- Actual amount of cultivation varies depending on source
 - Tax Form, DRC Applications, Temp State Licenses, Formal Permit Application
- Reducing tax rates does not guarantee increased cultivation
 - Experience in other jurisdictions appears to be more of reducing business over time
- RMA Memo issued on May 11, 2018
 - Submittal of formal applications by August 1, 2018 to remain in “good standing”
 - Will provide a better picture
 - Best estimate is based on how much area is currently paying taxes
 - 3rd Quarter Cannabis Tax
 - Estimate of 643,620 square feet paid

Resource Management Agency

- 102 Applications for DRC submitted to date
- 27 Formal Use Permit Application Submitted post DRC
 - 18 Cultivation
 - 7 Dispensary
 - 1 Nursery
 - 1 Volatile Manufacturing
- 75 Formal Use Permit Applications not yet submitted
 - 53 Cultivation
 - 1 Nursery – Note many cultivation operations include a nursery component
 - 11 Dispensaries
 - 7 Volatile Manufacturers
 - 3 Testing Facilities
- 295 Temporary Cultivation Licenses Granted by State

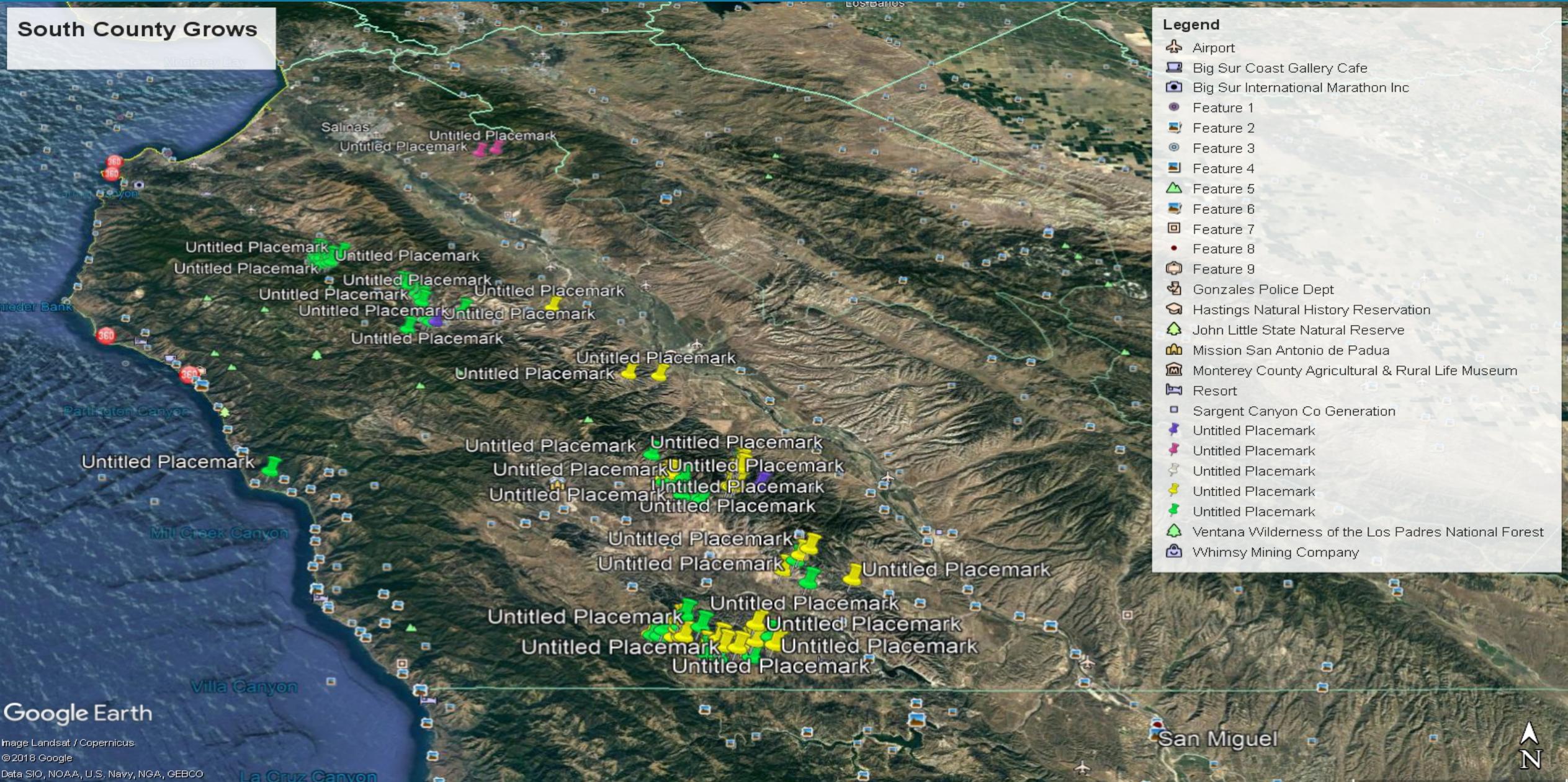
Sheriff

- The Sheriff will require funding to investigate and take appropriate law enforcement action on illegal cannabis grows in the county.
- There are no personnel assigned to cannabis enforcement.
- Last Fall, the Sheriff utilized detectives for a large grow site in southern Monterey County. Utilizing detectives is a poor option. Detectives are working felony cases. Pulling detectives off felony investigations for misdemeanor code enforcement is a poor use of resources.
- The cost to eradicate the grow were:
 1. \$33,617 for personnel
 2. \$4,710 for hauling
 3. \$920 for disposal

\$39,247 Total
- The Sheriff needs personnel plus overtime and dumping costs to investigate and take enforcement action.

District Attorney

South County Grows



Legend

- Airport
- Big Sur Coast Gallery Cafe
- Big Sur International Marathon Inc
- Feature 1
- Feature 2
- Feature 3
- Feature 4
- Feature 5
- Feature 6
- Feature 7
- Feature 8
- Feature 9
- Gonzales Police Dept
- Hastings Natural History Reservation
- John Little State Natural Reserve
- Mission San Antonio de Padua
- Monterey County Agricultural & Rural Life Museum
- Resort
- Sargent Canyon Co Generation
- Untitled Placemark
- Ventana Wilderness of the Los Padres National Forest
- Whimsy Mining Company

Google Earth

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