



# Monterey County

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## Board Report

Legistar File Number: 18-698

July 10, 2018

**Introduced:** 6/29/2018

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** General Agenda Item

Introduce, waive reading, and set for adoption on July 24, 2018, an ordinance revising Chapter 7.100 of the Monterey County Code to reduce the commercial cannabis business tax rates and penalties, and align definitions with state law and other portions of the Monterey County Code.

### RECOMMENDATION:

It is recommended that the Board of Supervisors introduce, waive reading, and set for adoption on July 24, 2018, an ordinance revising Chapter 7.100 of the Monterey County Code to reduce the commercial cannabis business tax rates and penalties, and align definitions with state law and other portions of the Monterey County Code.

### SUMMARY/DISCUSSION:

At the May 22, 2017 Board of Supervisors meeting, the Board approved the reduction of the commercial cannabis business tax rates and penalties. The revisions set forth in Chapter 7.100 of the Monterey County Code reflect the approved cannabis business tax rates, tax delinquent penalty rate and miscellaneous amendments that better align the ordinance with state law. Specifically, the rates have been adjusted to the following:

- For indoor cultivation, the tax rate is \$8.00 per fiscal year per square foot of authorized canopy through June 30, 2020, to increase by \$1.00 per fiscal year until a maximum rate of \$15.00 per square foot is reached, and to increase thereafter based on the Consumer Price Index;
- For mixed light cultivation, the tax rate is \$5.00 per fiscal year per square foot of authorized canopy through June 30, 2020, to increase by \$1.00 per fiscal year until a maximum rate of \$15.00 per square foot is reached, and to increase thereafter based on the Consumer Price Index;
- For nursery cultivation, the tax rate is \$1.00 per square foot of authorized canopy through June 30, 2020, to increase by \$1 per square foot per fiscal year until a maximum rate of \$5.00 per square foot is reached, and to increase thereafter based on the Consumer Price Index;
- For manufacturers, the tax rate is 2.5% of gross receipts per fiscal year through June 30, 2019, to increase thereafter by 1% per fiscal year, not to exceed a maximum rate of 10% of gross receipts per fiscal year;
- For distributors, the tax rate is 2% of gross receipts per fiscal year through June 30, 2019, to increase thereafter by 1% per fiscal year, not to exceed a maximum rate of 10% of gross receipts per fiscal year;
- For dispensaries/retail facilities, the tax rate is 4% of gross receipts per fiscal year through June 30, 2019, to increase thereafter by 0.5% per fiscal year, not to exceed a maximum rate of 10% of gross receipts per fiscal year; and

- For testers, the tax rate is 1% of gross receipts per fiscal year with no increase.

The ordinance also reduces the penalty if the commercial cannabis business tax is not timely paid. The penalty is reduced to 10% plus interest after the initial due date, and then an additional 10% plus interest after one month if the tax remains unpaid.

Lastly, to align Chapter 7.100 to state and County law, the ordinance amends references to state law that has changed; amends the definitions of cannabis, cannabis products, and County permit to be consistent with state law and the County Code; and amends the exemptions from the tax to be consistent with state law and the County Code.

OTHER AGENCY INVOLVEMENT:

The Board Cannabis Committee met on May 7, 2018 to recommend tax adjustments to the Board of Supervisors. The Board of Supervisors approved the tax rate and penalty changes and directed staff to bring this amendment forward. County Counsel, in consultation with staff from the Treasurer-Tax Collector and County Administrative Office, prepared the ordinance and reviewed it as to form.

FINANCING:

This work has been completed by staff without need or use for outside services. By lowering the cannabis business tax rates, there is an anticipation of less general fund revenue generated by cannabis business tax.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Proposed changes provide updates to the County Code that will be favorable to the cannabis industry as related to their start-up business costs. Proposed changes provide better alignment to state law.

Related Board of Supervisors Strategic Initiatives include:

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

Prepared by: Joann Iwamoto, Cannabis Program Manager

Approved by: Nicholas E. Chiulos, Assistant County Administrative Officer

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Nicholas E. Chiulos, Assistant County Administrative Officer

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Date

Attachments are on file with the Clerk of the Board

Attachments:

Attachment 1 - Draft ordinance (redlined)

Attachment 2 - Draft ordinance (clean)