

Revisions to Monterey County's Commercial Cannabis Tax Rates and Penalties

July 10, 2018



Amendments Chapter 7.100 of the Monterey County Code

- The revisions set forth in Chapter 7.100 of the Monterey County Code reflect the direction given by the Board of Supervisors on May 22, 2018.
- The ordinance includes amendments to lower the cannabis business tax rates; differentiate the tax rates between indoor and mixed light cultivation; differentiate the tax rates for manufacturers, distributors, dispensaries, and testers; and lower the tax delinquent penalty rate.
- Staff has made other miscellaneous amendments to better align the ordinance with state law and other County regulations.
 - Chapter 7.100 was adopted prior to passage of AUMA so various amendments were necessary.

Amended Tax Rates for Cultivation/Nurseries

- 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, with a CPI increase thereafter.
- 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, with a CPI increase thereafter.
- 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, with a CPI increase thereafter.

Amended Tax Rates for Non-Cultivation Businesses

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

Amend Penalty for Taxes Not Paid Timely and Other Amendments

- 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.
- Other amendments: new definitions for indoor/mixed light cultivation, immature /mature plant; the definitions of cannabis, cannabis products, and County permit to be consistent with state law and the County Code; exemptions from the tax to be consistent with state law and the County Code, and other minor clean-up amendments.

*2nd Reading will be presented to the Board of Supervisors
as a Consent Item on July 24, 2018*