



- b. Receive and approve an interest rate for Fiscal Year 21-22 formal payment plans if the operator chooses to extend payments to three years;
- c. Consider adoption of a resolution to authorize the Treasurer-Tax Collector to:
  1. Extend the previously authorized conditional waiver of penalties and resume interest on unpaid installments of the annual commercial cannabis cultivation business tax for the second through fourth quarters of Fiscal Year 21-22, so long as the full amount due is received by the Treasurer-Tax Collector on or before March 31, 2026.
  2. Extend the previously authorized conditional waiver of penalties and interest on unpaid installments of the annual commercial cannabis cultivation business tax for all quarters of Fiscal Year 22-23, so long as the full amount due is received by the Treasurer-Tax Collector on or before December 15, 2023; and
- d. Provide further direction as appropriate.

DISCUSSION/SUMMARY:

Staff presented Budget Committee recommendations to the Board of Supervisors (Board) at the Budget Workshop on April 4, 2023. The Board directed staff to return with an interest rate for Fiscal Year (FY) 21-22 formal payment plans if the operator chose to extend the payment to three years while paying interest on the unpaid balance. The three-year extension period is March 2023 - March 2026. The Board also directed staff to implement payment plans for FY 22-23, Quarters 1-4.

Monterey County Code (MCC) 7.100 pertaining to Commercial Cannabis Business Tax has already established an interest rate of one and one-half percent per month for unpaid balances of the commercial cannabis business tax as well as a penalty equal to ten percent of the amount of the tax due. These rates are referenced in MCC 7.100.100(A)(1). Staff recommends the Board use the established interest rate in MCC 7.100.

To provide additional context, staff have prepared a calendar for the remaining cannabis business tax installments of Calendar Year 2023 within Attachment A. This calendar also includes the number of participating operators, total amount due, and average payment per operator.

Staff have prepared a draft resolution for consideration (Attachment B) that extends the time to pay commercial cannabis cultivation taxes without interest and penalties as long as the amount is paid in full by the extended due date. Staff is seeking direction on:

- The interest rate that the Board would like staff to apply to unpaid balances of payment plans for FY 21-22, Quarters 2-4 that may be extended for an additional three years.
- Previous direction from a Board meeting in November 2022, which directed the Program to immediate shut down for operators who are not participants in the payment plan.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office, Cannabis Program, prepared 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 cultivation business tax will remain due and payable, however this action could result in less cannabis tax revenue than was originally projected being received by August 31, 2023.

As such, less cannabis funds would be available in FY 2022-23 to finance budgeted expenditures intended to be

covered by this revenue source. Given the current and volatile market conditions, staff would like to reiterate that these estimates are based on static cultivation canopy figures and assume that all operators will remain in business and timely pay their respective tax liability.

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

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Attachments:

- A: Cannabis Business Tax Installment Calendar
- B: Draft Resolution