



County of Monterey

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

Board Report

File #: ORD 22-009, **Version:** 1

Adopt an ordinance amending Chapter 7.100 of the Monterey County Code to reduce commercial cannabis business tax rates, remove automatic increases, and waive penalties and interest for cultivation activities in the second and third quarters of Fiscal Year 2021-22.

RECOMMENDATIONS:

It is recommended that the Board of Supervisors:

Adopt an ordinance amending Chapter 7.100 of the Monterey County Code to reduce commercial cannabis business tax rates, remove automatic increases, and waive penalties and interest for cultivation activities in the second and third quarters of Fiscal Year 2021-22.

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 (TTC). On December 14, 2021, the Cannabis Program (Program) reported to the Board of Supervisors (Board) on the implications of the decline in wholesale price points for commercial cultivation and the impacts of that decline on the cannabis industry.

The Board directed staff to return with a draft ordinance amending Chapter 7.100 that would reduce the commercial cannabis business tax rates for mixed-light, indoor and outdoor cultivation, reduce the distribution tax rate, eliminate automatic cannabis tax increases each year, and stay penalties and fines related to the tax delinquent accounts of cultivators for the 3rd quarter of Fiscal Year 2021-2022 if paid in full on or before July 31, 2022. If the cannabis delinquent accounts are not paid in full on or before July 31, 2022, then the penalties and interest will be reinstated.

Program staff returned to the Board on February 1, 2022 with the draft ordinance. Upon further discussion and consideration of public comment, staff was directed to return with an updated draft ordinance amending Chapter 7.100 to extend the stay on penalties and fines related to the tax delinquent accounts of cultivators to include the 2nd quarter of Fiscal Year 2021-22.

A redlined and clean version of the ordinance are attached to this report as Attachment A and B.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel and Treasurer-Tax Collector's Office were involved in the preparation of the ordinance and report. The Office of the County Counsel approved the draft ordinance as to form. The Treasurer-Tax Collector's Office added language to provide for confidentiality of tax returns and information provided by operators as well as clarification on the July 31st due date. As this date falls on a weekend, the ordinance provides direction that payments will be considered timely if received the next business day.

FINANCING:

The proposed amendments to Chapter 7.100 will impact the estimated commercial cannabis tax revenue for FY 21-22 by a loss of approximately \$5.4 million dollars. The automatic escalators that were supposed to take place in FY 21-22 will not be recovered in later years.

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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Approved by: Nicholas E. Chiulos, Assistant CAO

Attachments:

- A. Draft ordinance (redline version)
- B. Draft ordinance (signed clean version)