

Commercial Cannabis Business Tax Ballot Argument

City Council

March 14, 2017

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Members:

- Mayor Coursey
- Councilmember Olivares
- Councilmember Tibbets

Meeting:

- March 6th, 2017



- On March 7th 2017 the City Council unanimously approved adding the cannabis business tax measure to the June 6th 2017 ballot.
- On February 14, 2017, in accordance with Elections Code sections 9282 and 9287, the Council authorized the appointment of a Council ad hoc subcommittee to draft the argument in support of the cannabis business tax measure.
- In addition the Council also authorized the ad hoc committee to prepare and submit, without need for further Council approval, a rebuttal argument, if needed

Key Elements of Cannabis Business Tax

- **Taxation Points:** Cultivation, Manufacturing, Distribution, and Dispensaries
- **Taxation Method:** Cultivation by sqft or Gross receipts; Manufacturing, Distribution and Dispensaries by Gross Receipts
- **Tax Cap:** Cultivation 8% or \$25/sqft; Manufacturing, Distribution and Dispensaries 8%
- **Initial Tax Rate:** Cultivation 2% or \$5/sqft; Manufacturing 1%, Distribution 0% and Dispensaries (recreational only) 3%
- **Tax Cycle:** 2 years

Approved Ballot Language

“Santa Rosa Cannabis Industry Tax Measure.”

Shall an ordinance be adopted authorizing a cannabis business tax in the City of Santa Rosa on cultivation businesses up to \$25 per square foot of cultivation area (annually adjusted by CPI) or 8% of gross receipts, and on cannabis manufacturing, distribution and dispensary businesses up to 8% of gross receipts, to maintain general funds for City services and to address cannabis industry impacts, with all funds subject to audits and staying local, generating undetermined revenue until repealed?

Proposed Ballot Argument Paragraph 1

Measure ___ will allow Santa Rosa to impose a tax on medical and recreational cannabis businesses operating within the City now that the State has enacted the Medical Cannabis Regulation and Safety Act (MCRSA) and the voters have approved Proposition 64, the Adult Use of Marijuana Act. Measure ___ will ensure that the city has the resources to properly support and regulate the cannabis industry without hurting our investment in core city services, such as neighborhood infrastructure and public safety.

Proposed Ballot Argument Paragraph 2

Over 40 Cities and Counties in California have enacted a similar tax for cannabis businesses to address the inherent strain on the local agencies' budgets caused by cannabis legalization. Recently the City of Santa Rosa began issuing permits for medical cannabis businesses and has identified areas where additional resources are needed to continue the support of this new industry.

Proposed Ballot Argument Paragraph 3

Measure ___ is fiscally responsible, timely, and prudent. Over the past year, the City of Santa Rosa has addressed critical issues such as housing, homelessness and our aging road infrastructure and has had to make key investments from a limited pool of resources. By proactively establishing a tax on cannabis activity, the city's budget will be protected from any new or unexpected costs associated with cannabis legalization and permitting, and protect resources for investment in other key priorities.

Proposed Ballot Argument Paragraph 4

Measure ___ was carefully crafted with input from the industry in a public forum to find the right balance between generating the revenue needed while addressing certainty for this emerging industry. Adoption of a clear, fair and easy to follow legal framework will encourage cannabis businesses to join the regulated market, ensuring protection for consumers, the environment and public health.

With unanimous support from the Santa Rosa City Council, we respectfully request a Yes vote on Measure ___.

It is recommended by the Council ad hoc committee that the Council adopt a Resolution approving argument in support of ballot measure to enact an Ordinance of the City of Santa Rosa amending Chapter 6-04 of the Santa Rosa City Code and adding Chapter 6-10 of the Santa Rosa City Code to authorize the City of Santa Rosa to impose a business tax on cannabis businesses.