

# Extension of Initial Cannabis Industry Tax Rates

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# Cannabis Industry Tax Rates

- June 6, 2017 – Voters passed a measure authorizing an ordinance establishing Cannabis Industry Tax Rates
- The effective term in Resolution RES-2017-035 is different than the effective term in the Cannabis Industry Tax ordinance.
- This item will extend the initial rates approved in Resolution RES-2017-035 until the Council takes future action to change the rates.
- If the Council takes action to change the rates, the new rates will remain in place for a minimum of two years

# Cannabis Industry Tax Rates

The initial rates established by Resolution RES-2017-035, which have been in effect for two years, are as follows:

- Cultivation Initial Rate: 2% of gross receipts or \$5.00 per square foot of cannabis cultivation area, at the taxpayer's election
- Manufacturing Initial Rate: 1% of gross receipts
- Distribution Initial Rate: 0% (instead subject to standard city business tax under Santa Rosa City Code Chapter 6-04)
- Dispensaries: 3% of gross receipts (recreational only and only after state and local regulations are in place)

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## Fiscal Impact:

- The revenue received through the Cannabis Industry Tax Ordinance is general business tax revenue receipted into the General Fund. For FY 2019-20, \$1.3 million is budgeted for Cannabis Industry Tax revenue. If the initial Cannabis Industry Tax rates are not extended, the General Fund would not receive this revenue.

- It is recommended by the Planning and Economic Development and Finance Departments that the Council, by resolution, extend the initial Cannabis Industry Tax Rates until the Council takes future action to change the rates.

Questions?

