

HIGHLIGHTS OF PROPOSED CANNABIS BUSINESS TAX

INTRODUCTION OF ORDINANCE NO. 2018-22

JULY 10, 2018

OPERATIVE DATE

- ▶ Ordinance would be effective immediately upon approval of a majority of voters in Contra Costa County on November 6, 2018.
- ▶ Initial tax rates would take effect January 1, 2019.

TYPE OF TAX AND WHERE IT WOULD BE APPLICABLE

- ▶ General tax, with proceeds deposited in the County General Fund to be available for general governmental purposes.
- ▶ Applicable to commercial cannabis activities in the unincorporated county area.

TAX RATES

License Type	Initial Rate	Maximum Rate
Cultivator: Indoor, artificial lighting	\$7/ft ²	\$10/ft ²
Cultivator: Greenhouse, mixed lighting	\$4/ft ²	\$7/ft ²
Cultivator: Outdoor, natural light	\$2/ft ²	\$4/ft ²
Cultivator: Nursery	\$1/ft ²	\$2/ft ²
Manufacturing/Non-retail microbusiness	2.5% of gross receipts	4% of gross receipts
Testing	NA	2.5% of gross receipts
Distribution	2% of gross receipts	3% of gross receipts
Retailer/Retail microbusiness	4% of gross receipts	6% of gross receipts

**Maximum rate to be adjusted annually by CPI beginning July 1, 2021.*

DISTRIBUTION, MANUFACTURING, RETAIL, TESTING, AND MICROBUSINESS TAX

- ▶ Will be assessed based on gross receipts.

CULTIVATION TAX

- ▶ Will be assessed based upon the square footage of the permitted canopy.
- ▶ In the absence of a permit, will be assessed based upon the maximum square footage allowed by the State license type or as determined by the Treasurer-Tax Collector.
- ▶ The Board of Supervisors may adjust the rates annually within the minimum and maximum (as adjusted by CPI) range.
- ▶ Cultivation for personal use will not be taxed.

TAX ADMINISTRATION

- ▶ Pre-registration with the Treasurer-Tax Collector required of all commercial cannabis activity in the county unincorporated area
- ▶ Copies of all required permits to be submitted at time of registration
- ▶ Taxes due to be determined by the Treasurer-Tax Collector, who may audit the records of commercial cannabis activities and of persons owning or controlling them
- ▶ May assess penalties for non-payment of taxes or fraud
- ▶ Will conduct hearings on disputed amounts and render final decisions
- ▶ May refund overpayments
- ▶ May record a certificate of lien in the amount of delinquent taxes plus penalties
- ▶ May issue a warrant for the enforcement of any liens and for collection of taxes plus penalties
- ▶ May eventually seize any asset or property for sale at public auction to satisfy the debt

TAX REPORTING AND PAYMENT

- ▶ Taxes to be reported using forms provided by the Treasurer-Tax Collector
- ▶ Tax payments due quarterly, on or before the last day of the month following the close of each calendar quarter (e.g., April 30, July 31, October 31 or January 31)
- ▶ Postmark will not be accepted as timely. If due date falls on a weekend or holiday, the due date will be the next regular County business day
- ▶ Tax due is no less than the quarterly installment due, but may be paid in advance for the whole year

PENALTIES AND APPEALS

- ▶ Treasurer-Tax Collector will administer the tax and appeals process, and will be the final decision on appeals.

Penalties for Non-Payment	Surcharge on Tax	Monthly Interest
One month or less late	10%	1.5%
More than one month late	35%	1.5%
Fraud, at any point	25%	1.5%

CANNABIS REVENUE - GROSS ESTIMATES

CULTIVATION CANOPY @ 75%	OUTDOOR	MIXED LIGHT	INDOOR
	(10 permits)		
Initial Rate (2/4/7)	\$130,680	\$264,000	\$462,000
Step-Up Rate (3/5/8)	\$196,020	\$330,000	\$528,000
Maximum Rate (4/7/10)	\$261,360	\$462,000	\$660,000
MANUFACTURING	LOW END (5 permits)	MIDDLE (10 permits)	HIGH END (15 permits)
2.50% of \$2.5M	\$312,500	\$625,000	\$937,500
3.25% of \$2.5M	\$406,250	\$812,500	\$1,218,750
4.00% of \$2.5M	\$500,000	\$1,000,000	\$1,500,000
TESTING LABS	LOW END (1 permit)	MIDDLE (2 permits)	HIGH END (3 permits)
0.00% of \$1M	\$0	\$0	\$0
1.25% of \$1M	\$12,500	\$25,000	\$37,500
2.50% of \$1M	\$25,000	\$50,000	\$75,000
DISTRIBUTION	LOW END (1 permit)	MIDDLE (2 permits)	HIGH END (3 permits)
2.00% of \$2.5M	\$50,000	\$150,000	\$250,000
2.50% of \$2.5M	\$62,500	\$187,500	\$312,500
3.00% of \$2.5M	\$75,000	\$225,000	\$375,000
RETAIL & RETAIL/DELIVERY	(4 permits)		
4.00% of \$2.5M	\$400,000	\$400,000	\$400,000
5.00% of \$2.5M	\$500,000	\$500,000	\$500,000
6.00% of \$2.5M	\$600,000	\$600,000	\$600,000
RETAIL/DELIVERY ONLY Capped at 4	LOW END (3 permits)	MIDDLE (5 permits)	HIGH END (8 permits)
4.00% of \$1M	\$120,000	\$200,000	\$320,000
5.00% of \$1M	\$150,000	\$250,000	\$400,000
6.00% of \$1M	\$180,000	\$300,000	\$480,000
AGGREGATE TOTALS	LOW END Avg s/f	MIDDLE Avg s/f	HIGH END Max s/f
Initial Rate	\$ 1,739,180	\$ 2,231,680	\$ 2,764,180
Step-Up Rate	\$ 2,185,270	\$ 2,829,020	\$ 3,522,770
Maximum Rate	\$ 2,763,360	\$ 3,558,360	\$ 4,413,360

TAX REVENUE TIMELINE FOR PERMIT TYPES SUBJECT TO RFP

Registration

December 2018

Tax Takes Effect/RFP Deadline

Jan-Feb 2019

RFP Review/Select

Mar-May 2019

Application, review, CEQA, BOS approval
May-Oct 2019
(best case)

Permit Approved by State

Nov 2019???

Permit Approved by CCC Health

Dec 2019

First Qtr Taxes Received

Apr 2020

TAX REVENUE TIMELINE FOR PERMIT TYPES NOT SUBJECT TO RFP



RECOMMENDATIONS

1. INTRODUCE Ordinance No. 2018-22, imposing a general tax on commercial cannabis activities, including commercial cannabis cultivation, cannabis distribution, cannabis manufacturing, cannabis retailers, cannabis testing laboratories, and vertically integrated cannabis businesses.

2. WAIVE reading of Ordinance No. 2018-22.

3. FIX July 24, 2018, as the date for the following:

A. Approval of Ordinance No. 2018-22.

B. Adoption of Resolution No. 2018-22, calling an election for voters to consider enacting Ordinance No. 2018-22 imposing a general tax on commercial cannabis activities and consolidating the election on the tax measure with the statewide general election to be held on November 6, 2018.

C. Authorization for two members of the Board of Supervisors to sign the argument in favor of the tax measure and any associated rebuttal argument, on behalf of the Board of Supervisors.