



Mendocino County Board of Supervisors
501 Low Gap Road
Ukiah, CA 95482

June 1, 2021

Re: Item 4a

The cannabis industry is already excessively taxed to the point that the illicit market is capable of user level sales at significantly less costs. CBAMC supports the reduction of taxes for smaller farms, but does not endorse an increase in taxation for any operators for the following reasons:

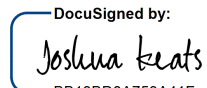
1. Cannabis business throughout the state at this time are cash starved and increasing the tax will push local medium sized businesses to the brink of insolvency, while allowing entry only to companies with public market funding or major venture capital backing that are able to burn cash and operate at a loss for many years as the cannabis industry stabilizes.
2. Increasing taxation will only serve to widen the gap between viability of legal farms and black market farms, further incentivizing diversion and continued illicit, unregulated and untaxed activity.
3. As opposed to normal net income taxation, where the tax basis is derived from actual earned profits, the concept of a gross receipts tax is dangerous in and of itself, as it does not take into account potential loss from operations due to crop failure or market conditions that would cause a "bad year" in which the operator was not able to produce a profit, and was effectively forced to exacerbate the loss by paying an additional percentage of the costs to lose money. This setup has and

will continue to lead to insolvency in the cannabis industry for operators dedicated to following all the rules and engaging in the legal market.

CBAMC supports the notion of transitioning the tax burden from the smaller farms to the medium and larger sized operators in a manner that is revenue neutral, without the increase in tax rate for any businesses.

Thank you for your consideration.

Sincerely,

DocuSigned by:

BB13BD8A753A41F...

Joshua Keats

President, CBAMC