

Good morning chair Williams and board. My name is Paul Hansbury and I have comments to make about the equity grant program.

I realize that the board has many MANY issues that they have to deal with every week. I realize that things that are brought before the board, that the board may take a cursory glance and rightfully assume that the people tasked with putting things before them are the experts and qualified to make the proper decisions. The Board may not have the bandwidth to scrutinize the minutia and evaluate the unintended consequences of their actions.

I get that.

I have much more to say, from my research, but I'll keep this to two issues.

Regarding the equity grant program I wanted to make you aware of a few things that may not have been brought to your attention

It's my understanding the County Counsel reviewed the Board of Supervisors meetings and determined that the board did not specifically say that taxes were an eligible item to be placed on the direct Grant budget.

Perhaps legal semantics and taking the most restrictive interpretation, but... it created a major delay in the program.

The courts will, generally, agree to what has been stipulated by the contract agreement

I've read the agreement between the state and the County regarding the grant program. I understand that the agreement from the State to the County has a clause that states, simply put, that the funds are non-taxable to the County.

The agreement also has a clause of Force Majure regarding delays beyond control.

The applicants are not fortunate enough to have those clauses in their agreement/contract.

I have also spoken with the IRS, tax professionals, and the deputy administrator of the equity program from GoBiz regarding this.

All you have to do is SAY SO, and the funds will be tax exempt because the funds are scrutinized to ensure that the ITEMS BUDGETED are for the purpose of the grant. Any funds that were used ...that were not approved ...would be taxable.

The County chose to 1099 all of the applicants claiming that the funds are "Earned Income". If that were the case, we should be able to use the funds however we wish!

Did you know that?

Income Tax aside, AND...IF the \$50,000 grant funds are the ONLY "earned income" the applicant claims, the self-employment tax is around \$7,000.

Did you know that?

So... Even if you don't agree that the grant funds shouldn't be taxable, why do you care where the tax money comes from?

If we are made to use the GRANT funds for the intended purpose, **and then pay the consequential taxes**, the refusal to allow the applicant to diminish the usable funds for the intended purpose, in order to offset the taxes that would be imposed by the grant is just cruel. Taxes (including the Mendocino County Minimum Cultivation/Business Tax) are an ongoing expense and allowable for the purposes of the grant.

Force Majeure clause relates to the extension of the contract for unforeseen circumstances, beyond control, that causes delay in the amount of time equal to the delay.

Did you know that?

Reimbursement for eligible items is allowed if you say so.

Did you know that?

Things that are time sensitive to the applicants (currently) cannot be reimbursed even if they are items that would have been paid for by the grant if there had not been a delay.

Did you know that?

Please act quickly to rectify the situation.

This program is supposed to assist the applicants financially to launch and/or develop their business, not encumber them with more, out of pocket, expenses.

Thanks for your time and consideration of these matters.