

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNTY OF MENDOCINO, STATE OF CALIFORNIA, ADDING CHAPTER 6.32 TO THE MENDOCINO COUNTY CODE IMPOSING A CANNABIS BUSINESS TAX ON COMMERCIAL CANNABIS BUSINESSES.

County Counsel Summary

This ordinance adds Chapter 6.32 to the Mendocino County Code to impose a County general tax on commercial cannabis businesses in the unincorporated area of Mendocino County as of January 1, 2017. The ordinance establishes the following tax rates for outdoor cultivation using no artificial lighting: The tax rate shall be \$.75 per square foot of canopy space for less than two thousand five hundred (2,500) square feet or equal to; the tax rate shall be \$1 per square foot of canopy space for cultivating two thousand five hundred one (2,501) square feet but less than or equal to five thousand (5,000) square feet; the tax rate shall be \$1.50 per square foot of canopy space for cultivating five thousand one (5,001) square feet but less than or equal to ten thousand square feet; the tax rate shall be \$2.50 per square feet of canopy space for cultivating of cannabis ten thousand one (10,001) or more square feet where permissible by both state and local law; the ordinance establishes the following tax rates for mixed-light commercial cannabis cultivation using a combination of natural and supplemental artificial lighting: The tax rate shall be \$1.50 per square foot of canopy space for less than two thousand five hundred (2,500) square feet or equal to; the tax rate shall be \$2 per square foot of canopy space for cultivating two thousand five hundred one (2,501) square feet but less than or equal to five thousand (5,000) square feet; the tax rate shall be \$2.50 per square foot of canopy space for cultivating five thousand one (5,001) square feet but less than or equal to ten thousand square feet; the tax rate shall be \$3.50 per square feet of canopy space for cultivating of cannabis ten thousand one (10,001) or more square feet where permissible by both state and local law; the ordinance establishes the following tax rates for indoor commercial cannabis cultivation using exclusively artificial lighting: The tax rate shall be \$1.50 per square foot of canopy space for less than two thousand (2,000) square feet or equal to; the tax rate shall be \$2 per square foot of canopy space for cultivating two thousand one (2,001) square feet but less than or equal to five thousand (5,000) square feet; the tax rate shall be \$2.50 per square foot of canopy space for cultivating five thousand one (5,001) square feet but less than or equal to ten thousand (10,000) square feet; the tax rate shall be \$3.50 per square feet of canopy space for cultivating cannabis ten thousand (10,001) or more square feet where permissible by both state and local law; for all commercial cannabis dispensaries, the tax rate is five percent (5%) of gross receipts per fiscal year through June 30, 2020, to increase thereafter by two and a half percent (2.5%) per fiscal year, not to exceed a maximum tax rate of ten percent (10%) per fiscal year on gross receipts; and for all other commercial cannabis businesses, including dispensaries, manufacturing, nurseries, testing,

transporting, distributing, and delivery, the tax rate is one thousand eight hundred seventy-five dollars (\$1,875) per fiscal year through June 30, 2020. Beginning on July 1, 2020 and on July 1, of each succeeding year thereafter, the amount of tax imposed on all cannabis businesses (including cultivation), excluding commercial cannabis dispensaries, shall be adjusted up to the equivalent to the most recent change in the State Department of Industrial Relations (or successor agency) in the Consumer Price Index (CPI) for all urban consumers (California); The tax applies to commercial medical cannabis businesses, and if legalized under state law, to nonmedical cannabis or marijuana businesses. Cultivation for personal medical use, as further delineated in the ordinance, are exempt from the tax. The ordinance contains payment and reporting requirements and enforcement provisions and authorizes the County Treasurer-Tax Collector to administer the tax. The tax is for general governmental purposes and will go into effect only if the tax is approved by a majority of the voters voting on the tax at an election.