

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 a tax rate for the cultivation of commercial cannabis of two and one half percent (2.5%) of the gross receipts per fiscal year; provided, however, that cultivators shall pay not less than the following amounts: persons cultivating less than or equal to two thousand five hundred (2,500) square feet of cannabis shall pay a tax of no less than one thousand two hundred fifty dollars (\$1,250) per growing cycle; persons cultivating two thousand five hundred one (2,501) and up to five thousand (5,000) square feet of cannabis shall pay a tax of no less than two thousand five hundred dollars (\$2,500) per growing cycle; and persons cultivating more than five thousand one (5,001) square feet of cannabis shall pay a tax of no less than five thousand dollars (\$5,000) per growing cycle.*~~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 foot 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 foot 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 foot of canopy space for cultivating cannabis ten thousand (10,001) or more square feet where permissible by both state and local law;~~ The ordinance also provides that, beginning July 1, 2020, the tax rate for cultivation may be increased in two and one half percent (2.5%) increments, not to exceed the maximum tax rate of ten percent (10%) per fiscal year on gross receipts; incremental increases in the tax rate shall occur following an approval by the Board of Supervisors at a regularly scheduled meeting of the Board of Supervisors, and occur not more than once per fiscal year. The ordinance establishes a tax rate ~~for all commercial cannabis dispensaries, the tax rate is of~~ five percent (5%) of gross receipts per fiscal year through June 30, 2020, and provides that, beginning July 1, 2020, the tax rate for cultivation may be increased in two and one half percent (2.5%) increments, not to exceed the maximum tax rate of ten percent (10%) per fiscal year on gross receipts; incremental increases in the tax rate shall occur following an approval by the Board of Supervisors at a regularly scheduled meeting of the Board of Supervisors, and occur not more than once per fiscal year, ~~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;~~ The ordinance provides that ~~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~~ two thousand five hundred ~~dollars (\$2,5001,875) per fiscal year through June 30, 2020, and that~~ ~~Beginning~~ 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 cultivation and 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); though no CPI adjustment resulting in a decrease of any tax imposed shall be made.~~ 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.