



## **Comments on the Proposed Medical Cannabis Tax**

**TO: Mendocino County Board of Supervisors and Staff**

**FROM: California Growers Association**

Cannabis tax revenue could help with budgetary needs for our rural, economically depressed area. However, we must use caution when applying a heavy tax burden to an industry that is seeking to come out from the shadows of Prohibition. Heavy taxation will provide a strong incentive for industry participants to stay in the black market, while disproportionately affecting those who have chosen to step forward to participate in the regulated marketplace.

Mendocino County is a land of small, family farms, many of whom are already just barely surviving. A heavy tax burden could very well be the final straw for many of these small farms, pushing them out of existence in favor of larger, consolidated operations that will often be extractive in nature, removing value from our local economy.

We see a number of issues with the tax as proposed. It is clearly written by an entity not based in Mendocino County, one that does not understand our unique way of life. The clear lack of understanding about our locality is somewhat frustrating from our perspective, as was the presentation given to the Board some weeks back.

### **Specific Concerns with the Tax:**

- **Rates:** We feel the tax rates are too aggressive. In formulating policy we must be aware of the cumulative regulatory and tax burden that is being placed on farms. The tiered nature of the tax is a good thing, but we feel that the Cottage License Tax should start at \$.25/sq foot and that it would be appropriate to go up from there for larger licenses. We are also unenthused about the suggestion that rates should scale up over time.
- **Crops/Year:** It is important to note that strictly outdoor cultivators can only harvest once per year, which should be factored to have a much lower overall tax rate.
- **Penalties:** A 25% penalty, applied very liberally with little time for response (especially given the rural nature of our mail system) is likely to result in significant charges to cultivators. The fact that it is coupled with a potential for liens against property creates the potential that the county will be taking farms away from cannabis cultivators. This is bad policy.
- **Multiple Steps:** Taxing multiple steps in the supply chain will, again, increase the overall tax burden, thereby increasing the price that patients will pay for their medicine. Extreme caution should be applied.
- **Approach:** We are not impressed with the obvious cookie cutter approach, in which the rates for large cultivation are included in the package even though there has been no recommendations or discussion about the possibility of a large cultivation tax locally. This demonstrates the lack of understanding and knowledge of our situation by the entity responsible for the tax.
- **Gross Receipts:** We feel that it is inappropriate to formulate the tax for businesses based on gross receipts.



- **Purpose:** We would like to see specific purposes for usage of the tax revenue laid out, including education and environmental cleanup/eradication of trespass grows.
- **Commercial:** There has been much discussion about “commercial cannabis”, and the Sheriff has noted many times that there is no legal commercial cultivation. It cannot be both ways; if taxation is to occur, the activity must be legally sanctioned.
- **Donations:** According to the language in the tax, donations will be taxed. This will discourage and hinder the many Compassion Programs that currently accept donations to provide free or low-cost medicine to patients who cannot afford it. We would propose the opposite, that donations would be eligible for tax credit.
- **Square Footage:** There must be a clear and easy method for deductions to be allowed for unused square footage, otherwise the policy will force cultivators to choose their methods based on the tax bill as opposed to what is most appropriate for their site or farm capabilities.

**Thank you for your sincere consideration, this issue will have deep, long-lasting impacts on the future of our county.**