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**Date:** 2/26/2018 10:26 AM  
**Subject:** A comment about Mendocino cannabis taxes



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Corinne, I send this to you because you are going to be at Tuesday's BoS meeting to comment on the cannabis business tax proposals. Please feel free to enter this email into the record.

I remember attending my first BoS meeting about cannabis in mid-2016. The most important item on that meeting agenda was the cannabis business tax. For legal reasons, the County needed to rush for approval of its two "gross receipts" tax initiatives, [Measures A](#) and [AJ](#), because such proposed taxes *must* appear on an official state/federal election ballot. November 2016 was fast approaching, or they would otherwise have to wait until November 2018. And there was the Heritage Initiative also on that 2016 ballot that the BoS wanted to oppose.

Therefore, their immediate concern was taxation, not the cannabis business enabling ordinances. (For those essential operating ordinances, we waited another year for the County to get its act together!)

The taxation topic was introduced at a public Board meeting in mid-2016 by the County CEO. She said it would be a good way to bring in much-needed revenue to our County. That tax issue was more important for the County than the cannabis cultivation and business ordinances themselves. I cannot say that the four supervisors then voting were drooling over this get-taxes-quickly scheme, but they made it clear before they opened for public comments that they were already convinced that THEY would vote for taxes on the November 2016 ballot, no matter public comments.

The Board introduced various consultants and staff speakers. I remember particularly a presentation by a consultant paid by the County to advise us all on likely Mendocino revenue impacts of the not-yet-approved cannabis legalization. His PowerPoint slides were thrilling to me. Had I believed him, I would be selling my cannabis today for \$2,500 per pound, and the County CEO would manage a wealthy government that could finally afford to fill potholes!

Based on those estimates, we'd all be rich.

Unfortunately, the local price for cannabis in Mendocino County is now about \$400/pound, far less than cost *including taxes and fees*. How many cannabis farmers and businesses are near bankruptcy? How effective are the newly designed California and Mendocino licensing processes that we are all learning? How many actual and potential cannabis businesses were destroyed by the recent fires? Does any new cannabis business in Mendocino County have a profit?

On what basis can the County even attempt to charge us taxes based on anything other than actual cannabis net revenue after costs? That is why we are required to file federal and state tax returns already. Yes please, the BoS should revisit their 2016 tax proposals, but they must be reasonable and resist these financial fantasies.

What is a reasonable tax to pay the County for our new legal businesses? Is that the topic of Tuesday's meeting? Or have they already decided now on a real property tax based on cultivation square footage that the County voters never approved and that will drive us faster into bankruptcy?

I'd rather that Mendocino County wait until November 2020 and then propose to voters a smart tax ordinance based upon the success of our new legal cannabis businesses.

/Larry

Bcc: Plaintiffs in *Johnson et al v. County of Mendocino*, now on appeal at the California Court of Appeal.

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