



# Mendocino County

## Legislation Text

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File #: 24-0685, Version: 1

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**To: GENERAL GOVERNMENT STANDING COMMITTEE**

**From:** Supervisor Haschak

**Meeting Date:** June 26, 2024

**Department Contact:** Supervisor Haschak

**Phone:** 707-463-4221

**Time Allocated for Item:** 45 Minutes

**Agenda Title:**

Discussion and Possible Action Including a Recommendation to the Board of Supervisors to Consider a Reduction in the Cannabis Business Tax for Calendars Year 2025 and 2026  
(Sponsor: Supervisor Haschak)

**Recommended Action/Motion:**

Recommend the Board of Supervisors consider a reduction in the Cannabis Business Tax of 40% for calendar year 2025, and 35% for calendar year 2026.

**Previous Board/Board Committee Actions:**

Ordinance No. 4361 adopted Chapter 6.32 - Cannabis Business Tax on August 2, 2016. March 2, 2022, the Board directed staff to prepare Amendments to the Cannabis Business Tax to create a procedure where cultivation sites could be followed with relief from the minimum tax requirements; this was brought back to the Board on May 17, 2022. April 19, 2022, the Board directed staff to return with an action to reduce Cannabis Business Tax Collection, including the minimum business tax, by 50% for two years starting in Tax Year 2022/23 and require tax compliance for Cannabis Permit Renewal. February 27, 2023, the General Government Committee recommended the Board take action to approve the Cannabis Business Tax reduction, a limited penalty and interest amnesty program, and create a tax payment plan. March 28, 2023, the Board adopted an Ordinance amending the Cannabis Business Tax to reduce Cannabis Business Taxes by 50% for calendar years 2023 and 2024.

**Summary of Request/Referral:**

The voter-passed Cannabis Business Tax was established in 2016. This tax was reduced 50% by the Board effective April 19, 2022 for Tax Years 2023 and 2024. While it is difficult to recommend the continuation of a tax cut at a time the County is facing a major deficit, cannabis farmers in the regulated system continue to struggle with market conditions, the cost of local and state regulations, and the illegal market which continues to proliferate. To promote and support cultivators in the regulated market and encourage additional participation in the regulated market, a continued reduction in the structure of the cannabis tax is recommended. When more cultivators stay in the Cannabis Cultivation Business License (CCBL) framework, it is better for overall tax collection and environmental stewardship. Options that encourage economic growth, entry into the regulated market, and adherence to the ordinance should be explored. In the most recent period, approximately \$3.8 million of Cannabis Business Taxes were waived through the current reduction, which will expire December 31, 2024. At this time, there are approximately 683 CCBLs which have been issued by the County, of which approximately 500 have State Licensing and can legally cultivate. Reductions

in the tax rate will have an impact on the budget depending on the percent of reduction while reverting to the original tax rate could drive more cultivators out of the regulated market. A reduction of the cannabis tax to 40% for calendar year 2025 and 35% for calendar year 2026 will help cannabis cultivators deal with the changing economic environment and allow time to explore other options for the taxing of cannabis cultivation.

**Supplemental Information Available Online At:** N/A

**Fiscal Details:**

**source of funding:** General Fund

**current f/y cost:** FY 24/25 Budgeted Cannabis Tax Revenue is \$1M. This is based on FY 23/24 projections which included the 50% reduction, and an understanding there are less cultivators enrolled than previous years.

**budget clarification:** N/A

**annual recurring cost:** Dependent upon recommendation from GGC to BOS and action taken by BOS.

**budgeted in current f/y (if no, please describe)** Yes

**revenue agreement:** N/A

**CEO Liaison:** Executive Office

**CEO Review:** Yes

**CEO Comments:**

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Executed By: Lillian Bearden, Deputy Clerk I

Final Status: Approved

Date: June 26, 2024

