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MEMORANDUM

DATE: April 22, 2026
TO: Board of Supervisors – General Government Committee
FROM: Chamise Cubbison, Auditor-Controller/Treasurer-Tax Collector
SUBJECT: Considerations Regarding Collection of Cannabis Business Taxes

Establishment of the Cannabis Business Tax

The Cannabis Business Tax was established through the will of the voters, with passage of Measure AI in 2017. An Advisory Measure (AJ) was also approved at that time, indicating that a majority of the revenue would fund enforcement of marijuana regulations, mental health services, county road repair, and fire & emergency medical services. Mendocino County Ordinance No. 4361 adopted Chapter 6.32 – Cannabis Business Tax on August 2, 2016.

Prior Direction and Action by the Board of Supervisors

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 approved a motion to create a Fallowing Program and to reduce Cannabis Business Taxes, including the minimum business tax, by 50% for two years starting in Tax Year 2023.

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. The limited amnesty program waived penalties and interest for tax years 2018 through 2021. These combined measures resulted in the collection of roughly \$200K in previously delinquent cannabis taxes by the end of Fiscal Year ("FY") 23/24. The payment plan program yielded limited revenue and experienced low completion rates among participants.

June 26, 2024, the General Government Committee made a recommendation to the Board that a reduction in the Cannabis Business Tax should be continued for a two-year period beginning in calendar year 2025 and ending December 31, 2026. On July 23, 2024, the Board directed County Counsel to draft an ordinance amendment extending the Cannabis Business Tax reduction for 2025 and 2026 in the amount of 40% and 35%, respectively; the implementing ordinance was adopted on September 24, 2024. On April 7, the Board directed staff to develop ordinance amendments that make it clear Cannabis Business Tax compliance is a requirement of holding a Cannabis Cultivation Business License (CCBL).

In addition to these supportive actions taken by the BOS, since 2020 the Cannabis Equity Grant Program has provided over \$1,000,000 in direct fee relief for verified equity applicants, inclusive of Cannabis Business Taxes.

Despite these actions, a significant amount of Cannabis Business Tax remains unpaid. On April 7, 2026, the matter was referred to the General Government Committee for review and a recommendation back to the full Board.

Delinquent Taxes

Tax Years 2018 & 2019: There is an unquantified amount of Cannabis Business Taxes due from these years. The County's records were in a state of transition during this period, and several changes were made to the program making it difficult to quantify as each account would need to be individually reviewed for its unique circumstances. The Treasurer-Tax Collector's Office (TTC) recommends that as a practical matter, these taxes should be written off as uncollectable.

Active CCBLs: Excluding penalties and interest that are owed, there is approximately \$1,200,000 in Cannabis Business Tax delinquent from current CCBL holders for Tax Years 2020-2024. These delinquencies are associated with roughly 200 cultivation operations that maintain active CCBLs yet are delinquent for one or more True-Up tax years. This amount is likely to increase with the 2025 True-Up, which is due at the end of May 2026.

Inactive CCBLs in Tax Years 2020 – 2024: There is an additional amount of unpaid Cannabis Business Tax, including penalties and interest from inactive CCBL holders. An accurate accounting of these taxes owed would represent a manual process for each account that the TTC has not completed.

The ability to collect delinquent tax is significantly impacted by the lack of a compliance factor to license renewal. Over the last three years, roughly 43-50% of the quarterly filings were not submitted.

Options for Consideration

The unquantified tax liabilities for tax years 2018 and 2019 for all Cannabis Business Taxes and unpaid tax liabilities for years 2020 through 2024 owed by cultivators no longer active in the program, should be strongly considered for designation as uncollectible. Pursuing these amounts would likely require a disproportionate investment of staff time with little to no corresponding revenue.

Regarding existing cultivators: The prior amnesty program approved by the board was considered somewhat successful and was operationally manageable for staff. The TTC supports a final amnesty program for Cannabis Business Taxes due for calendar years 2020-2024, which could be implemented at the Board's direction, and believes it may be more effective if paired with a requirement for Cannabis Business Tax compliance as a condition of permit renewal. The TTC recommends structuring any amnesty program to allow all existing cultivators to complete a full permit cycle, ensuring they have the opportunity to renew and participate in the amnesty.

Amnesty program structures may include relief from penalties and interest only or allowing participants to pay a single years' Cannabis Business Tax liability, one year at a time (or more years at one time), to prevent removal from the program due to tax noncompliance. Permitting the payment of individual years' liabilities is not considered a formal payment plan and can be feasibly administered by TTC staff.

The Treasurer-Tax Collector offers the following as an all-encompassing possible option for consideration:

1. Write off as uncollectable the delinquent 2018 and 2019 Cannabis Business Tax.
2. Write off as uncollectable the delinquent 2020 through 2024 Cannabis Business Tax owed by cultivators no longer active in the program.
3. Offer Amnesty for Interest and Penalty for delinquent Cannabis Taxes for Tax Years 2020 through 2024 for cultivators. Payments must be in the amount of each individual outstanding Year's amount (no installment plans).
4. Cannabis Business Tax and True Ups for Tax Years 2025 and 2026 due and payable with Interest and Penalty if not paid timely.
5. Pause or cancel True Up minimum tax starting Tax Year 2027 – all cultivators pay 2.5% starting 2027.
6. Amend the Ordinance to require full Cannabis Business Tax payment and report filing compliance for all Cannabis Business License renewals starting with 2028 year.
7. All Cannabis Business Taxes must be paid current by January 31, 2028, and Quarterly Filings must be current by January 31, 2028, for 2028 License Renewal.