



COUNTY OF MENDOCINO

DEPARTMENT OF PLANNING AND BUILDING SERVICES

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MEMORANDUM

DATE: April 7, 2026

TO: Board of Supervisors

FROM: Chamise Cubbison, Auditor Controller Treasurer-Tax Collector
Julia Krog, Planning and Building Director
Sara McBurney, Senior Program Manager

SUBJECT: Cannabis Business Tax Collection Options and Delinquent Tax Considerations

Prior Direction and Action by the Board of Supervisors

On November 4, 2025, the Board of Supervisors ("BOS") directed staff to research options for the collection of delinquent Cannabis business taxes and to present findings to the BOS no later than Mid-year Budget Report in February 2026. The Cannabis Division reviewed the ordinances and procedures and engaged with the Treasurer-Tax Collector's Office ("TTC") to gain a deeper understanding of current tax collection processes and identify opportunities for improvement.

The BOS has taken multiple actions to support the cannabis industry, including temporary reductions to the Cannabis Business Tax collection rate, payment plans, and a limited amnesty program. On March 28, 2023, the BOS approved amendments to Sections 6.32.050 and 6.32.100 of the Mendocino County Code ("MCC") that reduced the Cannabis Business Tax by 50 percent for tax years 2023 and 2024, established a limited penalty and interest amnesty program, and authorized a prior-year tax payment plan, as cannabis tax years operate on a calendar-year basis. The limited amnesty program waived penalties and interest for tax years 2018 through 2021. These combined measures successfully incentivized compliance and resulted in the collection of more than \$200K in previously delinquent cannabis taxes by the end of Fiscal Year ("FY") 23/24.

Additionally, on September 24, 2024, the BOS adopted an ordinance amendment reducing the Cannabis Business Tax by 40 percent for calendar year 2025 and 35 percent for calendar year 2026.

In addition to actions taken by the BOS, the Cannabis Equity Grant Program has provided over \$1M in direct fee relief of local cannabis business taxes for verified equity applicants since the local equity program was adopted in 2020.

Background

Even with these supportive actions by the BOS, and including the Equity Grant funding allocated to cultivators, approximately \$1.2M in cannabis taxes remains delinquent from current Cannabis Cultivation Business License ("CCBL") holders for tax years 2020-2024. The \$1.2M is exclusive of penalties and interest that are otherwise owed. 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.

In FY 24/25 \$1M in Cannabis Business Tax was projected; actual collections that year were \$1.474M. In FY 25/26 \$1.445M in Cannabis Business Tax is budgeted; the actual collection amount cannot yet be reliably projected.

Without action from the BOS, the current 35 percent reduction in Cannabis Business Taxes will expire on December 31, 2026, and 2027 taxes would be due at the rate approved by Measure AI and implemented through County Code. On March 10, 2026, by consensus, the BOS referred the Cannabis Business Tax to the General Government Committee for discussion regarding the rate.

Options for Consideration

Cannabis Business Tax Compliance Required for CCBL

Staff believe that an efficient way to ensure cannabis business tax compliance in the future would be to specifically require payment of cannabis business taxes pursuant to MCC Chapter 6.32 as part of holding a CCBL. At present, MCC Chapter 10A.17 does not specifically include cannabis business tax compliance as a requirement of holding a CCBL or include cannabis business tax compliance as a reason for license termination or non-renewal. Ordinance amendments to MCC Chapter 10A.17 could specifically add this requirement. Establishing a clear obligation between being a license holder and maintaining compliance with Cannabis Business Tax obligations would create a strong incentive for cultivators to remain current on their taxes. Staff would recommend placing specific requirements within MCC Chapter 10A.17 that holders of CCBLs are required to pay the tax imposed by MCC Chapter 6.32 and non-tax compliance would be a reason for non-renewal or license termination.

CCBL Termination Due Process Amendment

An additional modification to MCC Chapter 10A.17 could revise Section 10A.17.150(B) regarding the use of hearing officers. At present, this paragraph strongly implies that an independent hearing officer be used for CCBL termination due process hearings. For many terminations this may be appropriate, as CCBL terminations may involve complicated issues and the hearing allows fact to be resolved. However, CCBL termination for nonpayment of cannabis business taxes would presumably be limited to the straightforward issue of whether the tax was paid or not. The County has already created two pathways for relief for cannabis business taxes: the Fallowing tax status as well as the tax appeal process. The CCBL termination process would not be the appropriate avenue for a claim of hardship. As such, MCC Section 10A.17.150(B) could be revised to provide for an administrative review of the CCBL termination by the Director which would lessen the cost and time to the County of providing due process.

Addressing Delinquent Cannabis Business Taxes

If the BOS adopts an ordinance as recommended by staff, current CCBL holders that are delinquent on their cannabis business taxes may be subject to license non-renewal and future termination unless further guidance is provided by the BOS. Current CCBL holders have approximately \$1.2M in delinquent cannabis business taxes (excluding penalties and interest) related to tax years 2020-2024.

The BOS has previously authorized a payment plan for delinquent taxes; however, the outcome did not generate a significant amount of revenue. The TTC is supportive of a final amnesty program that could be implemented if directed by the BOS.

Finally, there is an undetermined amount of delinquent cannabis business taxes from the 2020-2024 period associated with CCBLs which are no longer operating. Additionally, there is an undetermined amount of delinquent cannabis business taxes years 2018-2019, which the TTC believes are uncollectable.

It is requested that the BOS give direction to staff regarding these delinquent taxes or refer this matter to the General Government Committee for a more focused review of delinquent cannabis business taxes and to make a recommendation to the BOS on pursuing collection of them or deeming them uncollectable.