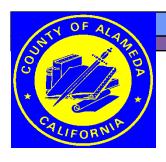


# **Cannabis Tax Options**

Transportation & Planning Committee March 5, 2018



### **State Taxation of Cannabis**

## State Taxes Enacted By Proposition 64 / SB 94:

- □ 15% excise tax on retail sales
- □ \$9.25 per ounce tax on flowers paid by cultivators
- □ \$2.75 per ounce tax on leaves paid by cultivators
- □ \$1.29 per ounce tax on fresh cannabis plants paid by cultivators

Retail sales also subject to existing sales & use tax (currently 9.25% in Unincorporated Alameda County)



### **Local Taxes - Counties**

- □ Mendocino County
  - Gross receipts tax up to 10% starting at 2.5% for cultivation & 5.0% retail
- □ Sonoma County
  - Cultivation tax on \$ per sq ft depending on license type ranging from \$1.00 to \$11.25
  - Manufacturer 3% gross receipts
  - Dispensary 2% gross receipts
- □ Monterey County
  - Cultivation tax on \$ per sq ft starting at \$15 increasing \$5 per year to \$25 and then increasing by CPI
  - Gross receipts of 5% increased 2.5% per year until hitting maximum of 10%
- □ Contra Costa County/San Joaquin County/Santa Clara County Working on tax
- ☐ City & County of San Francisco No tax yet



### **Local Taxes – Cities**

- City of Oakland
  - 5% gross receipts medical
  - 10% gross receipts recreational
- ☐ City of Berkeley 5% gross receipts (lowered from 10%)
- □ City of San Leandro
  - 6% of gross receipts, 8% of gross receipts in 2021, 10% maximum
  - San Leandro only allows medical sales currently
- □ City of Hayward Authority to tax up to 15% of gross receipts
- □ City of Los Angeles
  - 5% gross receipts medical
  - 10% gross receipts recreational
  - 1% gross receipts transportation, testing, or research
  - 2% manufacturing or cultivation



## **Benefits & Considerations**

#### **Benefits**

- Raise revenue to cover increased costs associated with cannabis sales that are not recoverable with fees (especially public safety costs)
- □ Countywide tax could raise revenue for countywide programs (safety, health, etc)

#### **Considerations**

- □ Level of taxation
  - Competitiveness with other jurisdictions
  - Black market
- □ Not tax deductible
- Cash collections



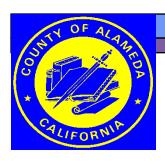
# **Policy Decisions**

Treatment of recreational vs medical cannabis

- □ Taxation of different stages of cannabis supply chain
  - Cultivation, Manufacturing, Distribution, Retail, etc.

□ Level of taxation

- Taxing authority vs taxes levied
  - Potential to phase in tax levels/Flexibility



# **Timeline/Next Steps**

□ Taxation will require voter approval

□ 2<sup>nd</sup> Reading of ordinance needs to be 88 days before the election

 Additional information & discussion at Board retreat



# **Discussion/Questions**