



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 5/19/2026

To: Board of Supervisors

Department or Agency Name(s): County Executive's Office

Staff Name and Phone Number: Andrew Sturmfels and McCall Miller, 707-565-2431

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Cannabis Business Tax Ordinance Amendment - Second Reading

Recommended Action:

Adopt an Ordinance amending the Cannabis Business Tax Ordinance - Second Reading, Ready for Adoption.

Executive Summary:

On April 28, 2026, staff introduced an ordinance amending the County's Cannabis Business Tax Ordinance, codified in Chapter 35 of the Sonoma County Code. Proposed changes include:

1. To set all cannabis cultivation tax rates to \$0.00 per square foot.
2. To set the manufacturing tax rate to 0% of gross receipts.
3. To make administrative changes, including definitional updates to align with Sonoma County Code and state regulations.

The updated tax rates will be in effect for Fiscal Year 2026-2027. Following Board direction received at the April 28 meeting, staff will complete an analysis on the cannabis tax rates and the cannabis business license program, the fee for which was also approved at the April 28, 2026 meeting, and return to the Board of Supervisors for a comprehensive discussion prior to Fiscal Year 2027-2028. This item requests the Board adopt the ordinance amendment, which will be effective July 1, 2026.

Discussion:

History

The Cannabis Business Tax (Measure A) was passed by voters in the March 7, 2017 special election with 71% voter approval. Measure A provided a framework for taxation, set maximum allowable tax rates for all operator types, and granted authority to the County to, among other things, set lower tax rates, tax certain operator types, and establish various tax administration policies. Since 2022, when the cultivation tax rates were reduced by 45 percent, numerous changes have been made to the Cannabis Business Tax Ordinance (Ordinance):

- On May 23, 2023, Ordinance 6433 amended Chapter 35, setting cannabis cultivation tax rates, using the tax rate convertor model (2.5% gross receipts converted to square footage tax), effective July 1, 2023.
- On April 30, 2024, Ordinance 6471 amended Chapter 35, setting supply chain cannabis business and cannabis cultivation tax rates using the tax rate convertor model for cannabis cultivation tax rates (2.5% gross receipts converted to square footage tax), effective July 1, 2024.

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- On May 6, 2025, Ordinance 6515 amended Chapter 35, setting the current cannabis cultivation tax rates, using the tax rate convertor model (2.5% gross receipt converted to square footage tax), effective July 1, 2025.

On April 28, 2026, an Ordinance was introduced amending the cannabis business tax rates as follows, effective July 1, 2026:

- Outdoor Cultivation: \$0.00 per square foot
- Mixed-Light Cultivation: \$0.00 per square foot
- Indoor Cultivation: \$0.00 per square foot
- Manufacturing: 0% of gross receipts

Below is projected cannabis business tax revenue for FY 26-27, including retail (storefront and non-storefront) operations, which remain taxed at 3% of gross receipts:

- Retail (Storefront and Non-Storefront): \$330,000

Based on current assumptions, the projected tax revenue and year end estimated FY 25-26 fund balance is anticipated to meet the projected annual cannabis program costs for the next several years. Staff will continue to track program costs and revenue.

As directed by the Board on April 28, 2026, staff will return to the Board in spring 2027 with a comprehensive review of the cannabis tax and license fund programs. The cannabis business license was approved by the Board on April 28, 2026 and is \$531 per license for FY 26-27.

Staff recommends the Board adopt the attached Ordinance, which will be effective July 1, 2026.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

April 28, 2026 - Introduction and waiving of further reading of Ordinance amending the Cannabis Business Tax Ordinance (Resolution No. 2026-0157) [SONOMA COUNTY - File #: 2026-0360 <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7990092&GUID=62641FB5-0C55-4379-8FF8-4A1821E42C64&Options=&Search=>](https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=7990092&GUID=62641FB5-0C55-4379-8FF8-4A1821E42C64&Options=&Search=>)

FISCAL SUMMARY

Expenditures	FY25-26 Adopted	FY26-27 Projected	FY27-28 Projected
Budgeted Expenses		\$490,811	\$510,285
Additional Appropriation Requested			

Total Expenditures		\$490,811	\$510,285
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other		\$330,000	\$330,000
Use of Fund Balance		\$160,811	\$180,285
General Fund Contingencies			
Total Sources		\$490,811	\$510,285

Narrative Explanation of Fiscal Impacts:

There are no new expenditures related to the implementation of the new tax rates. Annual cannabis program costs will be supplemented with cannabis tax fund balance in the amount of approximately \$160,000 in FY 26-27 and \$180,000 in FY 27-28. Estimated FY 27-28 ending fund balance is \$2.2 million.

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

- A: Cannabis Business Tax Ordinance
- B: Cannabis Business Tax Ordinance (clean with no track changes)

Related Items "On File" with the Clerk of the Board:

None