



SUMMARY REPORT

Agenda Date: 4/5/2022

To: Board of Supervisors

Department or Agency Name(s): Auditor-Controller-Treasurer-Tax Collector, County Administrator's Office, County Counsel

Staff Name and Phone Number: Brooke Koop, Christina Rivera, and Kristin Horrell, 707-565-2431

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Extension of Due Dates for Cannabis Business Taxes on Cultivation from January 31, 2022 and April 30, 2022 to May 31, 2022

Recommended Action:

Approve a Resolution to extend the cannabis cultivation tax due dates from January 31, 2022 and April 30, 2022, as established under the Cannabis Business Tax Ordinance, to May 31, 2022.

Executive Summary:

This resolution extends the reporting and remittance due dates for cannabis cultivation taxes due under the Cannabis Business Tax Ordinance from January 31, 2022 and April 30, 2022 to May 31, 2022. This action will provide additional time for staff to bring forward an ordinance amendment reducing the tax rate for all types of cannabis cultivation by 45%, effective July 1, 2021 and with a sunset date of June 30, 2023, as directed by the Board on March 15, 2022. The resolution will only extend the January 31, 2022 and April 30, 2022 cannabis cultivation tax due dates, and does not affect the tax liability that is due in any way, nor does it extend the due date of taxes owed by supply chain businesses, which remain due on April 30, 2022.

Discussion:

At the end of 2021, the Board asked staff to bring forward information to hold a discussion addressing the local cannabis operators' assertion that the industry's fiscal stability is at risk due to a significant reduction in the per pound cultivated cannabis product price. Additionally, cannabis industry advocates argue that state and local taxes are adding to the burden of the legal cannabis sector while also competing with illegal cannabis production.

The [Cannabis Business Tax Ordinance](https://library.municode.com/ca/sonoma_county/codes/code_of_ordinances?nodetid=CH35CABUTAOR_S35-5TAIM)

[<https://library.municode.com/ca/sonoma_county/codes/code_of_ordinances?nodetid=CH35CABUTAOR_S35-5TAIM>](https://library.municode.com/ca/sonoma_county/codes/code_of_ordinances?nodetid=CH35CABUTAOR_S35-5TAIM) ("Ordinance") provides that any change made to and allowed under the Ordinance, such as the lowering of the tax rate, must be done via an ordinance amendment. Given this limitation and the need to further research and analyze the aforementioned issues, on January 25, 2022, the Board directed staff to bring forward cannabis tax reduction options and a future recommendation for moving to a gross receipts basis of taxation for cannabis cultivation.

Staff returned to the Board on March 15, 2022 to present options for consideration. The Board directed staff

Agenda Date: 4/5/2022

to bring forward an Ordinance amendment to reduce cannabis cultivation tax rates by 45% for two fiscal years, effective July 1, 2021 and with a sunset date of June 30, 2023. Additionally, the Board directed staff to further analyze the gross receipts basis of taxation for cannabis cultivation and return to the Board in February of 2023 with a recommendation.

At this time, it is necessary to extend the above-mentioned cannabis cultivation tax due dates in order to meet the legal timeline of an ordinance amendment and allow for the 45% tax rate reduction to go into effect.

Note a separate board item on April 5, 2022 has been submitted to present for Board approval the resolution introducing and waiving 2nd reading of the necessary Ordinance changes to reduce current rates by 45% through June 30, 2023.

Strategic Plan:

N/A

Prior Board Actions:

01-04-2022 Cannabis Tax Structure Board Discussion and Direction to Staff

01-25-2022 Resolution Extending Due Date for all Cannabis Business Taxes from January 31, 2022 to April 30, 2022 (Resolution No. 22-0012)

03-15-2022 Cannabis Tax Structure Board Discussion and Direction to Staff

FISCAL SUMMARY

Expenditures	FY 21-22 Adopted	FY22-23 Projected	FY 23-24 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

None

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Agenda Date: 4/5/2022

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

Resolution Extending the Due Dates for Cannabis Business Taxes on Cultivation from January 31, 2022 and April 30, 2022 to May 31, 2022

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

None