

Cannabis Business Tax

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SONOMA COUNTY
CANNABIS

Recommended Actions

- Consider an Ordinance amending Chapter 35, the Cannabis Business Tax Ordinance, establishing new tax rates for cannabis cultivation, cannabis retail (dispensary) and cannabis manufacturing operations, effective July 1, 2024, including administrative and technical corrections; and
- Adopt a Resolution introducing, reading the title of, and waiving further reading of a proposed ordinance amending Chapter 35 of the Sonoma County Code.



2024 Annual Review Findings

- Cultivation volume down
- Indoor cultivation prices have decreased
- Outdoor cultivation prices generally decreased, but not as much due to increased prices for large flower (bud)
- Market price for outdoor cultivation is much lower than for indoor cultivation
 - Average indoor cultivation operation generates gross earnings of \$3M
 - Average mixed-light cultivation operation generates gross earnings of \$1M
 - Average outdoor cultivation operation generates gross earnings of \$277,000



Program Costs

- Estimated program costs for FY24-25 are \$1.7M increasing to \$1.8M by FY26-27
- EIR and Program Update estimated costs of \$2.6M over four fiscal years through FY24-25
- 10 positions in five County depts.:
 - AWM
 - Permit Sonoma
 - CAO
 - Health Services
 - ACTTC
- Costs also include legal and contract services



Cannabis Budget

	FY22-23 Actual	FY23-24 Projected	FY24-25 Projected	FY25-26 Projected	FY26-27 Projected
Starting Fund Balance	\$5,589,213	\$4,993,920	\$3,686,721	\$2,777,036	\$2,411,868
Tax Collection Revenue	\$1,447,164	\$1,600,000	\$1,400,000	\$1,400,000	\$1,400,000
Departmental Costs	\$1,223,931	\$2,015,026	\$1,530,260	\$1,576,168	\$1,623,453
Other Costs	\$200,724	\$185,868	\$189,000	\$189,000	\$189,000
<i>Sub-Total Program Costs</i>	\$1,424,655	\$2,200,894	\$1,719,260	\$1,765,168	\$1,812,453
EIR Costs	\$1,082,448	\$706,305	\$590,425		
Ending Fund Balance	\$4,993,920	\$3,686,721	\$2,777,036	\$2,411,868	\$1,999,415

Does not include the \$1.15M Local Jurisdiction Assistance Grant

Does not include the \$687K GO-Biz Cannabis Equity Grant

AWM and Health Services departmental costs are offset by permit revenues



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Options

1. No action, annual CPI adjustment will occur on July 1, 2024
2. Maintain current tax rates, suspend annual CPI adjustment
3. Adjust cannabis business tax rates



Staff Recommendation

Adjust cannabis business tax rates as follows:

- Cannabis cultivation tax rates:
 - \$0.69/sq. ft. for outdoor cultivation
 - \$2.51/sq. ft. for mixed-light cultivation
 - \$7.58/sq. ft. for indoor cultivation
- Cannabis supply chain operation tax rates:
 - 3.0% for retail (dispensary) operations
 - 1.5% for manufacturing operations





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Questions