



# County of Sonoma

## State of California

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Date: January 25, 2022

Item Number: \_\_\_\_\_

Resolution Number: \_\_\_\_\_

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4/5 Vote Required

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### **Resolution Of The Board Of Supervisors Of The County Of Sonoma, State Of California, Extending the Due Date for All Cannabis Business Taxes due on January 31, 2022**

**Whereas**, on January 1, 2022, the State's cultivation tax rate increased due to inflation, while remaining at an 80% mark-up rate; and

**Whereas**, the cannabis industry has reported a dramatic drop in the cannabis price per pound; and

**Whereas**, the cannabis industry has asserted that as a result of the rise in state cannabis taxes and the decrease in the price per pound of cannabis, the legal cannabis industry is on the brink of collapse, which has the potential to push legal operators to the unpermitted market; and

**Whereas**, the Board of Supervisors and County staff have received numerous requests from the legal cannabis industry to revise the County's current tax structure to provide relief; and

**Whereas**, on January 4, 2022, the Board of Supervisors directed staff to explore policy considerations that may provide relief to the County's cannabis tax industry to mitigate the possibility that legal operators revert back to the unpermitted market; and

**Whereas**, on November 7, 2016, Sonoma County voters approved the Cannabis Business Tax Ordinance ("Cannabis Business Tax"); and

**Whereas**, Section 35-5 of the Cannabis Business Tax imposes an annual commercial cannabis business tax on every person who is engaged in commercial cannabis business ("Operators"); and

**Whereas**, Sections 35-6(a) & 35-6(b) of the Cannabis Business Tax requires the commercial cannabis business tax due and payable in quarterly installments, except for outdoor operators, whose taxes are due and payable in two installments; and

**Whereas,** Sections 35-6(a) & 35-6(b) of the Cannabis Business Tax further provide that submission of the tax statement and remittance of the tax shall be due and payable to the Auditor-Controller Treasurer-Tax Collector on or before the last day of the month following the close of each fiscal year quarter for all Operators except for outdoor operators, whose taxes are due and payable on or before the due date as prescribed by the Auditor-Controller-Treasurer-Tax Collector; and

**Whereas,** further pursuant to Sections 35-6(a) & 35-6(b) of the Cannabis Business Tax, all Operators have a cannabis business tax payment due on or before January 31, 2022; and,

**Whereas,** Section 35-6(e) of the Cannabis Business Tax provides that the Auditor-Controller-Treasurer-Tax Collector may, in his discretion, establish shorter or longer report and payment period for any taxpayer as the Auditor-Controller-Treasurer-Tax Collector deems necessary to insure collection of the tax; and

**Whereas,** due to the potential legal cannabis industry negative impacts as a result of the combined effect of the increased tax rate and the dramatic decrease in the cannabis price per pound, in order to allow time to complete analysis and develop policy options, staff recommends extending the deadline for reporting and remittance for all cannabis business taxes from January 31, 2022 to April 30, 2022.

**Now, Therefore, Be It Resolved** that the Board of Supervisors hereby finds, declares, determines and orders as follows:

1. The foregoing recitals are true and correct.
2. Notwithstanding Sections 35-6(a) and 35-6(b) of the Cannabis Business Tax, the deadline for reporting and remittance of the cannabis business taxes that are due on January 31, 2022 are hereby extended until April 30, 2022. This extension is a result of the potential for a collapse of the legal cannabis industry due to rising taxes and the dramatic drop in the price per pound of cannabis.
3. This Resolution shall not be construed to affect the amount of taxes owed by any person under the Cannabis Business Tax.

**Supervisors:**

Gorin:                      Rabbitt:                      Coursey:                      Hopkins:                      Gore:

Ayes:                      Noes:                      Absent:                      Abstain:

**So Ordered.**