



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 1/25/2022

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, Kristin Horrell; (707) 565-2431

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Extension of Due Date for all Cannabis Business Taxes due January 31, 2022

Recommended Action:

Approve Resolution to extend the deadline for all cannabis business taxes due under the Cannabis Business Tax Ordinance from January 31, 2022 to April 30, 2022.

Executive Summary:

On January 4, 2022, the Board directed staff to bring forward an action that will provide additional time to review potential changes to the Cannabis Business Tax structure that applies to all persons engaged in commercial cannabis cultivation ("Operators") in the unincorporated area of the County. The recommended resolution extends the reporting and remittance deadline for all cannabis business taxes due under the Cannabis Business Tax ordinance from January 31, 2022 to April 30, 2022. The resolution will only extend the January 31, 2022 cannabis business tax due date and does not affect the tax liability that is due in any way.

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 voter approved [Cannabis Business Tax measure](#)

https://library.municode.com/ca/sonoma_county/codes/code_of_ordinances?nodeId=CH35CABUTAOR_S35-5TAIM provides that any change made to and allowed under the Cannabis Business Tax 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, the Board directed staff to bring forward a solution that will delay all Operators' Cannabis Business Tax payment.

Staff has developed a preliminary timeline with the goal of presenting implementable options for the Board's consideration before the extended payment due date of April 30, 2022. At this time, assuming other workload priorities can be adjusted, staff estimates to return to the Board on March 15, 2022 with next steps options for the Board's consideration.

Note, that the Governor’s January 10, 2022 State Budget Proposal includes the following language: “The Administration intends to further develop a grant program this spring that will aid local governments in, at a minimum, opening up legal retail access to consumers. Further, the Administration supports cannabis tax reform and plans to work with the Legislature to make modifications to California’s cannabis tax policy to help stabilize the market; better support California’s small licensed operators; and strengthen compliance with state law.” See printed page 223 of <https://www.ebudget.ca.gov/FullBudgetSummary.pdf>

Strategic Plan:

N/A

Prior Board Actions:

01-04-2022 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)

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

Agenda Date: 1/25/2022

- Resolution Extending Cannabis Deadline for all taxes due January 31, 2022
- Memo to Cannabis Business Tax Operators regarding Extension of January 31, 2022 Tax Deadline

Related Items “On File” with the Clerk of the Board:

None