

## Cannabis Tax

Public Comment Received after  
March 14, 2022 at 2:30 PM through  
March 15, 2022 at 8:30 AM

**From:** [Moir Jacobs](#)  
**To:** [Cannabis](#); [Susan Gorin](#)  
**Cc:** [district3](#); [district4](#); [Lynda Hopkins](#); [David Rabbitt](#)  
**Subject:** A tax "holiday" for pot operators?  
**Date:** Monday, March 14, 2022 4:14:11 PM

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## EXTERNAL

Attn: Sonoma County Marijuana Promotion Dept  
And Sonoma County Supervisors

I understand you're meeting tomorrow to discuss whether to give a "tax holiday" of some sort to the marijuana industry.

First, I'd like to point to Mr. Craig Harrison's letter below and state that I fully support everything he states below.

Also, I'm completely opposed to any program to decrease or eliminate any taxes the marijuana producers owe, even if it's temporary. This is NOT what voters mandated.

Did the wine, beer and spirits industries ever receive a tax holiday in Sonoma County!? I don't think so.

Right now the County's marijuana promotion program is a dismal failure. When you calculate ALL the costs, including the delinquent fees from some pot operators and law enforcement related costs, in addition to the many County administrative costs, this program is a BIG LOSER. The program is by now deep in the red and it should have never been initiated in its current form.

This program should never have been built as it has been, you went way too far beyond the voter mandates. Time to cut your losses, scale this back, and stop promoting marijuana like it's some magical miracle drug that should be produced all over the County. It's a completely irrational policy pushed by the pot operators with no voter mandate for its scale, scope or financial impacts.

You must not give this industry any tax holidays. They need to sink or swim on their own.

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Letter from Mr. Craig Harrison:

*As I understand the staff proposal, the supervisors are asked to reduce the current cannabis tax by 10 percent for FY 2021-22.*

*From attending board meetings and listening to comments, no supervisor has a firm idea of the economics of the cannabis industry. You are being asked to provide tax relief in abject ignorance of the facts. A single industry is asking you to cater to it, an industry whose entire history is one of breaking the law*

*and telling falsehoods. The cannabis industry celebrates its outlaw past. CannaCraft sells “The Farmer and the Felon” – the same CannaCraft that paid \$300,000 to the Sonoma County District Attorney in May 2021 to settle false advertising claims.*

*I have been involved professionally with regulatory issues for decades, and one firm conclusion that I have drawn is that the public interest is never well-served when decision makers are ignorant of the facts concerning the industry that they regulate.*

*Whatever problems the cannabis industry may be experiencing (and recent independent data in the Benchmark report suggests any problems are grossly exaggerated) are the result of decisions made by individuals who voluntarily entered this business.*

*It is obvious that outdoor cannabis projects are uneconomic in Sonoma County. These cultivations are precisely those that stimulate angst within neighborhoods, harm to the environment, and weigh heavily on the county budget because the staff has to respond to frequent complaints.*

*Why subsidize this uneconomic activity with a tax cut? This industry is not paying its fair share, and any tax reduction is not going to change the fundamental economics.*

*While the auditor states correctly states that the Cannabis Business Tax was enacted solely for general governmental and not for specific purposes, this was to avoid triggering the 2/3 requirement for its approval. Measure A stated the following:*

***Shall an ordinance be adopted imposing a cannabis business tax in unincorporated Sonoma County on cultivation up to \$38 per square foot (annually adjusted by CPI increases) or 10% on gross receipts, and on other cannabis businesses up to 10% on gross receipts, to fund essential county services such as addressing industry impacts, public safety, fire, health, housing, roads, and environmental protection, with funds staying local and subject to audits, generating undetermined revenue until repealed?***

*The public expects that these taxes will fund essential government services. It is*

*not clear that you even have the authority to rescind the Cannabis Business Tax, including annual CPI adjustments, without voter approval.*

*Every county resident is suffering some economic dislocation after two years of the Covid Era, including the worst inflation in 40 years and record high gasoline prices. These problems will not abate soon. If the county has the largesse to reduce taxes (and I doubt that it does), consider freezing real property taxes for all county landowners.*

*Thank you.*

*Craig S. Harrison*

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**From:** [Jamie Ballachino](#)  
**To:** [Cannabis](#); [BOS](#); [Tennis Wick](#)  
**Subject:** We're all about to go out of business  
**Date:** Tuesday, March 15, 2022 8:22:51 AM

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## EXTERNAL

Dear Sonoma County Board of Supervisors,

I write to you this morning to inform you of the situation that your local cannabis farmers are in. I've been cultivating cannabis in Sonoma County since 2006 when I rented my first house in Petaluma that had a small garage. That was the beginning of my career. Since then, my company has grown quite progressively. We cultivated in many locations throughout the county until we found a place to settle that was absolutely perfect for us. We bought a small farm in 2016 located in Healdsburg, and started cultivating cannabis on a scale of about 1/4 acre. We were one of your first penalty relief applicants in 2017 and have been in compliance ever since. As you probably know, our farm did burn down in a wildfire in 2019. This did not stop us, as we continued to cultivate in hoop houses after all of our buildings were burned down. We stayed in compliance the entire time, and rebuilt our business from the ground up in 2020. We paid many of our debts (we owed so much money to so many people after that fire) and our total debt was down to approx \$100,000. We were confident that in 2021 we would be able to pay the rest of this debt off and start paying ourselves again.

Instead, we found ourselves further in debt by the end of the season due to a market crash that has been worse than any other crash in the history of California Cannabis. The price for mixed light flower is now under \$500 a pound. The price of outdoor grown flower is now under \$400 a pound. We are now in debt \$260,000. This does not include the loan we took against the farm for \$600,000 to pay back loans for the property. We can not pay ourselves, and we're having a hard time paying our employees. We owe the IRS \$17,000 for payroll taxes. We owe the Permit Department \$42,000 for MIG's unreasonable charges for my permit application. The total they charged me was over \$70,000! I still have NO PERMIT! We owe the County tax administrator \$10,000. We owe our employees over \$30,000. The list goes on and on. There is no way in hell that we're going to be able to afford to plant this year unless we take out another loan and go further into debt. With the price where it's at right now, you can not justify charging us so much for these taxes.

We lived very good lives before cannabis was legalized. Back in 2017, once we came forward and came into compliance, we started struggling and had to make drastic adjustments to our budget. All employees wages were cut in half, and wages for ourselves and our partners were put on hold. After not making any money at all for 2 years we finally felt like we were able to gain a small profit margin towards the end of 2019. This was right before the fire took it all away from us. Then, while we were struggling to stand back up to our feet, in 2020 the market did artificially well due to Covid 19's effects on the cannabis economy. This helped us out tremendously.

But in 2021, the market crashed in May. By June the entire market was so flooded with Santa Barbara product that no one in the state of California wanted to buy a single pound of cannabis from anyone. This extended until the end of July. Then distributors started buying product again at the rate of half of what they spent just before the crash happened. I knew in August that after the outdoor harvest came in at the end of the year it would only get worse. I was right. \$450 a pound is not enough money to pay the kind of taxes that you are asking for. How can you justify charging a mixed light operator \$7.31 a square foot (\$73,100 for the year for us) when they can't even pay themselves a dime? We need to get paid. Working for free is unsustainable for any industry. You're going to lose all of your local

cannabis farmers unless something is done to save them.

**We need permit fees waived.**

**We need cannabis taxes to be forgiven and paused for a couple years while your operators get back on their feet.**

**We need your help. Please!**

If we all go out of business, Sonoma county is only going to grow illegal cannabis that gets exported to places like New York City, Florida, and many other places in the midwest. All cannabis that is legally consumed in California is going to be grown in Santa Barbara. Sonoma County's legal, regulated industry will be dead. Your mom's and pops will get to choose between changing careers and growing it illegally. Growing legal cannabis in Sonoma County will no longer be an option for anybody who is not a fool.

We're not fools.

Sincerely,

Jamie Ballachino

President

Hands in the Earth, Inc.

License #:

CCL18-0000131

1415 Fulton Rd.

Santa Rosa, Ca

Suite 205-238

Email:

[Jamie@HandsInTheEarth.com](mailto:Jamie@HandsInTheEarth.com)

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**From:** [Komal Gill](#) on behalf of [CannabisTax](#)  
**To:** [Brooke Koop](#); [Jennifer Calderon](#); [Mimi Davis](#)  
**Cc:** [McCall Miller](#)  
**Subject:** FW: The Highland Canopy request for relief / re: BOS meeting March 15, 2022  
**Date:** Tuesday, March 15, 2022 8:18:44 AM  
**Attachments:** [TheHighlandCanopy\\_SonomaBOSMtq03152022\(Final\).pdf](#)

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*Thank you,  
Komal Gill*

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**From:** Joyce Cenali <[joyce@sonomahillsfarm.com](mailto:joyce@sonomahillsfarm.com)>  
**Sent:** Monday, March 14, 2022 9:12 PM  
**To:** CannabisTax <[CannabisTax@sonoma-county.org](mailto:CannabisTax@sonoma-county.org)>; David Rabbitt <[David.Rabbitt@sonoma-county.org](mailto:David.Rabbitt@sonoma-county.org)>; James Gore <[James.Gore@sonoma-county.org](mailto:James.Gore@sonoma-county.org)>; Susan Gorin <[Susan.Gorin@sonoma-county.org](mailto:Susan.Gorin@sonoma-county.org)>; district5 <[district5@sonoma-county.org](mailto:district5@sonoma-county.org)>; district3 <[district3@sonoma-county.org](mailto:district3@sonoma-county.org)>  
**Cc:** [compliance@sonomahillsfarm.com](mailto:compliance@sonomahillsfarm.com)  
**Subject:** The Highland Canopy request for relief / re: BOS meeting March 15, 2022

## EXTERNAL

Hello,  
In advance of your meeting specific to the cannabis canopy tax matter tomorrow, we've prepared the attached letter. Times are dire and we appreciate your attention here.

Regards,  
Joyce Cenali

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Joyce Cenali  
COO, [Sonoma Hills Farm](#)  
415.609.5251

Learn more about [The Experience of Sonoma Hills Farm](#)

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The Highland Canopy  
d/b/a Sonoma Hills Farm  
334 Purvine Rd.  
Petaluma, CA 94562

March 14, 2022

To the Sonoma County Board of Supervisors:

The cultivators in Sonoma County and throughout the state are facing tremendous challenges and a near extinction event in the legacy regions. The county can dramatically assist operators by ceasing the burden of over-taxation, and by increasing permitting efficiencies for the active permit holders. This industry is very much in its latent stages and the success of the Sonoma County operators is incumbent on the support of our county officials. We submit the following suggestions:

- Decrease the Sonoma canopy tax by no less than 25%
- Withdraw 2022 payments for 2021 harvest in their entirety
- Shift the due dates to 9- and 12-months post-harvest date
- Increase permitting efficiencies, streamline the and provide transparency across departments

Based on the following market reasons:

Continued deceleration in market value of wholesale flower. As of this writing, the market is as follows: wholesale flower: \$200-\$400 / lb for outdoor flower, and wholesale trim: \$5-\$25/lb for outdoor trim. This is a 50-70% decrease from the wholesale market prices just 12 months ago.

While Sonoma County's projected taxation revenue is well below its projected outcome, according to your estimated budget analysis (see attached), the tax collections outweigh the program uses. At this latent stage, we can candidly state that all operators permitted under the conditional use permit program in Sonoma are under-water. None are cash flow positive, all are operating at a loss. It is unjust that the county makes a profit when we are many years away from operating at a profit.

Upon commencing operations, all Sonoma County operators have already paid tremendous fees and local taxes that are not contemplated in the canopy tax collections. Upon commencing our Medium Outdoor operation, we had incurred over 6 figures in construction costs for that license alone. At the time of writing, our local county fees are well into the 6 figure costs, and we have only 1 of 4 licenses operational.

The county departments are not in sync and there are often tremendous lags in communicating actionable next steps. We've waited up to six months at times for simple answers and approvals. In addition, certain county officials have outwardly displayed their disapproval. We've had countless comments from contractors and subcontractors that they have never been treated so poorly by county parties. We've seen direct discrimination from county officials within the building approvals department, one of which have made offensive comments towards our LGBT personnel (referencing our pride celebration flag as a "fag flag").



Payment timing is not on par with market aging. The current Sonoma taxation hits on January 30 and April 30 after the harvest year. Behind the harvest, there are tremendous number of processing steps and upon a sale, experience long aging periods typically averaging Net 60-180 days.

We are hard-working, values driven members of this community. It is our intention to operate compliantly. We have not cut corners and we have followed the steps as laid out by the county in its roll out of the conditional use permit path. We want to be in Sonoma and we have consistently focused a positive light on the county in national and regional publications. If Sonoma is to be a standard bearer of the best expression of this plant in agriculture, we need your help.

Regards,  
The Highland Canopy LLC

# CANNABIS TAX FUND

Attachment A

Note - does not include Local Jurisdiction \$1.15 million state grant and expenses.

|   | FY 21-22<br>Estimated<br>Budget | FY 22-23<br>Recomm. Budget | FY 23-24<br>Projected Budget |
|---|---------------------------------|----------------------------|------------------------------|
| <b>Beg. Fund Balance / Estimated</b>                                      | <b>\$5,965,642</b>              | <b>\$3,806,056</b>         | <b>\$3,963,570</b>           |
| <b>Tax Collections (Sources)</b>  | <b>\$2,750,000</b>              | <b>\$2,887,500</b>         | <b>\$2,974,125</b>           |
| <b><u>Cultivation Only Rate Relief:</u></b>                               |                                 |                            |                              |
| <i>A) Suspend the 3.18% FY 21/22 CPI Adjts</i>                            | (\$110,000)                     | (\$110,000)                | (\$110,000)                  |
| <i>B) Reduce pre-CPI adjusted tax rate by 682 basis points (or 6.82%)</i> | (\$252,340)                     | (\$252,340)                | (\$252,340)                  |
| <i>Gross Receipts Transition Costs</i>                                    | \$32,000                        | \$331,840                  | \$335,795                    |
| AWM (Permitting-Canopy-Code Enf)  | \$301,637                       | \$310,686                  | \$320,007                    |
| ACTTC (Collections)   | \$554,189                       | \$570,815                  | \$587,939                    |
| CAO (Program Oversight)   | \$490,268                       | \$541,026                  | \$557,257                    |
| DHS - Public Health   | \$168,969                       | \$174,038                  | \$179,259                    |
| PRMD (Code Enforcement)   | \$264,312                       | \$272,241                  | \$280,409                    |
| Counsel (Legal Services)  | \$115,000                       | \$115,000                  | \$115,000                    |
| Other Contract Services (OAH)   | \$50,000                        | \$50,000                   | \$50,000                     |
| Other Costs (USPS, office supplies)                                       | <u>\$2,000</u>                  | <u>\$2,000</u>             | <u>\$2,000</u>               |
| <b>Program Uses*</b>  | <b>\$1,978,375</b>              | <b>\$2,367,646</b>         | <b>\$2,427,666</b>           |
| Consultant Contract Estimate  | \$750,000                       |                            |                              |
| Legal, GIS, and Outreach Services   | \$220,000                       |                            |                              |
| PRMD (EIR 3 -Yr Staffing)   | \$1,536,371                     |                            |                              |
| 25% Project Contingency for Revisions                                     | <u>\$62,500</u>                 |                            |                              |
| <b>Set Aside for EIR/Pgm Update Estimate</b>                              | <b>\$2,568,871</b>              |                            |                              |
| <b>Ending Fund Balance / Estimated</b>                                    | <b>\$3,806,056</b>              | <b>\$3,963,570</b>         | <b>\$4,147,690</b>           |

*\*Positions funded: 4.0 at Agriculture Commissioner-Weights & Measures (AWM), 1.5 at Permit Sonoma (PRMD) Code Enforcement, 2.33 at Auditor-Controller-Tax Collector (ACTTC) plus internal costs, and 2.5 at County Administrator's Office.*