

Cannabis Business Tax

April 15, 2025

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Recommended Actions

- Consider an Ordinance amending Chapter 35, the Cannabis Business Tax Ordinance, establishing new tax rates for cannabis cultivation, effective July 1, 2025; 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.



2025 Annual Review Findings

- Cultivation approximately same as 2024
- Average price¹ per pound decreased for both outdoor and indoor cannabis saleable product
- Market price¹ for outdoor cultivation remains much lower than for indoor cultivation
 - Average¹ indoor cultivation operation generates gross earnings of \$1.2M
 - Average¹ outdoor cultivation operation generates gross earnings of \$143,000

¹ Based on data reported by operators.



County Program Costs

- Estimated program costs for FY 25-26 and FY 26-27 are \$1.7M
- EIR and Program Update estimated costs of \$2.5M
- 8 positions in five County depts.:
 - AWM
 - Permit Sonoma
 - CAO
 - Health Services
 - ACTTC
- Costs also include legal and contract services



Cannabis Tax Fund Budget

	FY23-24 Actual	FY24-25 Projected	FY25-26 Projected	FY26-27 Projected
Starting Fund Balance	\$4,992,210	\$4,061,585	\$2,779,992	\$1,891,759
Tax Collection Revenue	\$1,202,067	\$1,000,000	\$890,000	\$900,000
Departmental Costs	\$1,364,916	\$1,564,668	\$1,526,733	\$1,572,535
Other Costs	\$70,918	\$189,000	\$189,000	\$189,000
<i>Sub-Total Program Costs</i>	\$1,435,834	\$1,753,668	\$1,715,733	\$1,761,535
EIR Costs	\$696,859	\$527,925	\$62,500	
Ending Fund Balance	\$4,061,585	\$2,779,992	\$1,891,759	\$1,030,224

Does not include the \$558K GO-Biz Cannabis Equity Grant
 AWM and Health Services departmental costs are offset by permit revenues



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Options

1. Adjust cannabis cultivation tax rates down by 25%.
2. Adjust cannabis cultivation tax rates to align with 2.5% gross receipts converted to square footage.
3. No action, annual CPI adjustment will occur on July 1, 2025.
4. Maintain current tax rates, suspend annual CPI adjustment.



Cultivation Tax Rate Options

	Option 1. Reduce 25%	Option 2. Revised 2.5%	Option 3. CPI Adjusted	Option 4. Current rate (per sf)
Outdoor	\$0.52	\$0.36	\$0.71	\$0.69
Mixed-Light	\$1.88	\$1.15	\$2.58	\$2.51
Indoor	\$5.69	\$3.00	\$7.78	\$7.58



Projected Tax Revenue and Use of Fund Balance

	Option 1. Reduce 25%	Option 2. Revised 2.5%	Option 3. CPI Adjusted	Option 4. Current rate
<i>Cultivation</i>	\$502,203	\$314,843	\$686,153	\$667,492
<i>Supply Chain</i>	\$390,000	\$390,000	\$390,000	\$390,000
<i>Total Tax Revenue</i>	\$892,203	\$704,843	\$1,076,153	\$1,057,492
<i>Use of Fund Balance</i>	\$823,530	\$1,010,890	\$639,580	\$658,241

Note: Based on verified canopy for FY 24-25



Taxable Canopy FY22 – FY25

	FY 21-22 Verified Canopy (sf/acres)	FY 22-23 Verified Canopy (sf/acres)	FY 23-24 Verified Canopy (sf/acres)	FY 24-25 Verified Canopy (sf/acres)	Percent difference from FY 23-24
Outdoor	1.3M sf / 30.2 acres	890,800 sf / 20.45 acres	579,350 sf / 13.3 acres	570,600 sf / 13.1 acres	-1%
Mixed-light	29,600 sf / 0.68 acres	7,800 sf / 0.18 acres	6,970 sf / 0.16 acres	6,100 sf / 0.14 acres	-13%
Indoor	68,800 sf / 1.58 acres	55,300 sf / 1.27 acres	40,100 sf / 0.92 acres	33,970 sf / 0.78 acres	-15%



Staff Recommendation

Adjust cannabis cultivation tax rates as follows:

- Cannabis cultivation tax rates:
 - \$0.52/sq. ft. for outdoor cultivation
 - \$1.88/sq. ft. for mixed-light cultivation
 - \$5.69/sq. ft. for indoor cultivation





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Questions