



# **Cannabis Tax Options**

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**Transportation & Planning Committee**

**March 5, 2018**



# State Taxation of Cannabis

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## State Taxes Enacted By Proposition 64 / SB 94:

- ❑ 15% excise tax on retail sales
- ❑ \$9.25 per ounce tax on flowers paid by cultivators
- ❑ \$2.75 per ounce tax on leaves paid by cultivators
- ❑ \$1.29 per ounce tax on fresh cannabis plants paid by cultivators

Retail sales also subject to existing sales & use tax (currently 9.25% in Unincorporated Alameda County)



# Local Taxes - Counties

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- Mendocino County
  - Gross receipts tax up to 10% starting at 2.5% for cultivation & 5.0% retail
- Sonoma County
  - Cultivation tax on \$ per sq ft depending on license type ranging from \$1.00 to \$11.25
  - Manufacturer 3% gross receipts
  - Dispensary 2% gross receipts
- Monterey County
  - Cultivation tax on \$ per sq ft starting at \$15 increasing \$5 per year to \$25 and then increasing by CPI
  - Gross receipts of 5% increased 2.5% per year until hitting maximum of 10%
- Contra Costa County/San Joaquin County/Santa Clara County – Working on tax
- City & County of San Francisco – No tax yet



# Local Taxes – Cities

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- City of Oakland
  - 5% gross receipts medical
  - 10% gross receipts recreational
- City of Berkeley – 5% gross receipts (lowered from 10%)
- City of San Leandro
  - 6% of gross receipts, 8% of gross receipts in 2021, 10% maximum
  - San Leandro only allows medical sales currently
- City of Hayward – Authority to tax up to 15% of gross receipts
- City of Los Angeles
  - 5% gross receipts medical
  - 10% gross receipts recreational
  - 1% gross receipts transportation, testing, or research
  - 2% manufacturing or cultivation



# Benefits & Considerations

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## Benefits

- Raise revenue to cover increased costs associated with cannabis sales that are not recoverable with fees (especially public safety costs)
- Countywide tax could raise revenue for countywide programs (safety, health, etc)

## Considerations

- Level of taxation
  - Competitiveness with other jurisdictions
  - Black market
- Not tax deductible
- Cash collections



# Policy Decisions

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- Treatment of recreational vs medical cannabis
  
- Taxation of different stages of cannabis supply chain
  - Cultivation, Manufacturing, Distribution, Retail, etc.
  
- Level of taxation
  
- Taxing authority vs taxes levied
  - Potential to phase in tax levels/Flexibility



## Timeline/Next Steps

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- Taxation will require voter approval
  
- 2<sup>nd</sup> Reading of ordinance needs to be 88 days before the election
  
- Additional information & discussion at Board retreat



# Discussion/Questions

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