



Cannabis Tax Options

Transportation & Planning Committee

April 18, 2018



Committee Direction & Followup

Committee Direction:

- Prepare ballot initiative for the November 2018 election
 - General purpose business license tax
 - Supply chain segments separated (cultivation, manufacturing, retail etc)
 - Maximum rate capped with Board authority to adjust rates
- Develop timeline

Follow-up:

- Tax rate comparison with other states
- Cannabis related expense estimates
- Revenue estimates



Taxation Comparison

	California		Washington		Oregon	Colorado	
	Unincorp Alameda County	Oakland	Seattle	Unincorp King County	Portland	City and County of Denver	Unincorp Adams County
State Cultivation Tax*	2.31%	2.31%	0.00%	0.00%	0.00%	0.00%	0.00%
State Excise Tax	15.00%	15.00%	37.00%	37.00%	17.00%	15.00%	15.00%
State Sales Tax	0.00%	0.00%	0.00%	0.00%	0.00%	15.00%	15.00%
State Business License	0.00%	0.00%	0.47%	0.47%	0.00%	0.00%	0.00%
Sales & Use Tax	9.25%	9.25%	10.10%	10.00%	0.00%	7.65%	4.75%
Local Tax	0.00%	10.00%	0.20%	0.00%	3.00%	3.50%	3.00%
Total Tax Burden	26.56%	36.56%	47.77%	47.47%	20.00%	41.15%	37.75%

*Assuming \$50 for 1/8 oz flowers



County Costs – Prop 64

- Medical Cannabis ID Card Program
 - \$150k-\$200k Annually
 - State Mandate – Will attempt SB 90 claim

- Increased Complaints Due To Personal Grows
 - No estimate yet – may decrease as residents clearer on law
 - Could raise non-compliance fines to cover increased costs if necessary

- Public Health/Education/Other
 - Working group forming sub-committee to explore and develop proposal to obtain Prop 64 grant funding
 - Diversion programs



County Costs – Local Sales

- Fee reimbursable costs
 - Cost dependent on number of applications, businesses, and inspections
 - Board-adopted fees could cover all of these costs

- Non-fee reimbursable costs
 - Sheriff's Office has provided an annual cost estimate of \$3.3 million
 - 8 Deputies & 1 Sergeant, Supplies, Vehicles, and Overhead
 - Other education or health initiatives that are not offset with grant funding
 - Fee reimbursable services not fully recovered with fee revenue
 - Diversion program costs



Preliminary Revenue Estimates

Assumptions:

- Average cultivation site annual gross receipts of \$3.4 million in first year
- Average dispensary annual gross receipts of \$15 million in first year
- Annual gross receipts growth of 7% for cultivation sites and dispensaries
- Number of cultivation sites:
 - Year 1: 4
 - Year 2: 5
 - Year 3: 6
- Number of dispensaries
 - Year 1: 2
 - Year 2: 4
 - Year 3: 5



Preliminary Revenue Estimates

	Year 1	Year 2	Year 3
Number of Cultivation Sites	4	5	6
Number of Dispensaries	2	4	5

Gross Receipts Per Cultivation Site	\$ 3,400,000	\$ 3,638,000	\$ 3,892,660
Gross Receipts Per Dispensary	\$ 15,000,000	\$ 16,050,000	\$ 17,173,500

Total Gross Receipts Cultivation	\$ 13,600,000	\$ 18,190,000	\$ 23,355,960
Total Gross Receipts Dispensary	\$ 30,000,000	\$ 64,200,000	\$ 85,867,500

Scenario One - 2% Retail / 5% Cultivation			
Total Revenue	\$ 1,280,000	\$ 2,193,500	\$ 2,885,148

Scenario Two - 5% Across The Board			
Total Revenue	\$ 2,180,000	\$ 4,119,500	\$ 5,461,173

Scenario Three - 2.5% Across The Board			
Total Revenue	\$ 1,090,000	\$ 2,059,750	\$ 2,730,587

Estimates will continue to be refined as we get more data



Policy Discussion

Policy Questions:

- Where should the County set the cap on the business license tax rate?
- Where should the County set the initial rates? Vote requirement?
- Collection Frequency

Considerations:

- State may adjust Statewide tax rates.
- Board can maintain control to adjust local tax rates as conditions change.



Timeline

- General Election is November 6, 2018
- Board needs to place on the ballot at least 88 days before the election (Aug 10th)
 - 2 Ordinance readings
 - Resolution adoption with 2nd reading of ordinance
- Draft ordinance for review for May Transportation & Planning Committee
- Board retreat in June
- Ordinance adoption late June/early July



Discussion/Questions
