

1 BOARD OF SUPERVISORS, COUNTY OF LAKE, STATE OF CALIFORNIA
2 RESOLUTION NO. _____

3 RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LAKE CALLING
4 AN ELECTION TO SUBMIT TO THE VOTERS IN THE UNINCORPORATED AREA OF THE
5 COUNTY AN ORDINANCE IMPOSING A COMMERCIAL CANNABIS BUSINESS TAX ON
6 COMMERCIAL CANNABIS

7 WHEREAS, the Board of Supervisors has introduced, read the title of, and waived further
8 reading of a business tax ordinance as authorized by Revenue and Taxation Code sections 34021.5
9 and/or 7284, and will consider the passage of said ordinance on August 7, 2018; and

10 WHEREAS, Article 13C, section 2(b) of the California Constitution and Government Code
11 section 53723 of the Government Code require that the imposition of such tax be approved by a
12 majority of the County electorate qualified to vote on the matter; and

13 WHEREAS, pursuant to section 9140 of the Elections Code, the Board of Supervisors may
14 submit to the voters, without petition, a measure relating to the enactment or amendment of any
15 ordinance; and

16 WHEREAS, while fees may recover costs associated with issuing cannabis business-related
17 permits, inspections, and compliance monitoring, said fees may not be used to fund costs attributable to
18 certain collateral costs resulting from such businesses, including code enforcement, law enforcement,
19 policy development, health impacts, educational impacts, and environmental damage and cleanup; and

20 WHEREAS, services supporting the health and safety of County residents are funded through
21 the County's general fund; and

22 WHEREAS, without an additional funding source, the County will not be able to address the
23 risks and impacts of legalized cannabis businesses in the County while also maintaining existing general
24 governmental services; and

25 WHEREAS, it is necessary that a County election be held in accordance with the law for the
26 purpose of submitting to the qualified electors of the County a measure on which to enact the Cannabis
27 Business Tax Ordinance.

28 NOW THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

1. That the recitals set forth hereinabove are true, correct, and incorporated herein by
reference.

1 2. Pursuant to Elections Code section 9140, the Board of Supervisors hereby submits to the
2 voters in the unincorporated area of the County, at the next general election on November 6, 2018, the
3 proposed measure imposing a general business tax on commercial businesses, including no cultivation
4 activities other than nursery cultivation, to be levied as specified in the Cannabis Business Tax
5 Ordinance. For cultivation at a nursery, an annual tax of one dollar (\$1) per square foot of any
6 cultivation site at any nursery. For persons engaged in the operation of a testing laboratory, an annual
7 tax of zero percent (0%) of gross receipts. For every person who engages in the retail sales of
8 cannabis as a dispensary, micro-business, or delivery business, an annual tax four percent (4%) of
9 gross receipts. For every person who engages in a cannabis manufacturing, processing,
10 transportation, distribution or any other type of cannabis business not specifically described above but
11 referenced in the Cannabis Business Tax Ordinance, an annual tax of two and one-half percent (2.5%)
12 of gross receipts.

13 3. The Board of Supervisors hereby orders that the election on the measure shall be
14 consolidated with the general election to be held on November 6, 2018. This Board does hereby
15 submit to the qualified electors at said election said measure as set forth in Paragraph 2 of this
16 Resolution and designates and refers to said measure as the measure to be set forth on the ballots for
17 use at said election. The full text of the measure is as set forth in Exhibit "A" hereto. The partial text
18 of the measure in the form to be included in the election materials provided to qualified electors is as set
19 forth in Exhibit "B" hereto.

20 4. The ballot question for the proposed measure shall be submitted for a "Yes" or "No" vote
21 as follows:

22 "Shall Article VII be added to Chapter 18 of the Lake County Code imposing a Cannabis
23 Business Tax in the unincorporated areas of the County , which, as of January 1, 2021, will
24 impose an annual tax of \$1.00 per square foot for nursery cultivation, 4% of gross receipts on a
25 cannabis dispensary, micro-business, or delivery business, and 2.5% of gross receipts on a
26 cannabis manufacturing, processing, transportation, distribution or other type of cannabis
27 business?"

28 The words "Yes" and "No" shall be printed on the ballots so the qualified electors may express

1 their choices on Measure “___”.

2 5. The Registrar of Voters shall publish a notice of this election in accordance with the
3 Elections Code and give any other required notices. The Registrar of Voters shall furnish all official
4 ballots, notices, printed matter, and all supplies, equipment, and paraphernalia that may be necessary to
5 properly and lawfully conduct an election and shall take all necessary and appropriate actions to
6 provide the necessary elections officers, polling places, and voting precincts.

7 6. The Registrar of Voters shall establish election precincts, designate the polling places, and
8 provide election officers for each precinct at the election in accordance with the election laws of the
9 State of California. The election shall be held and conducted, the returns canvassed, and the result
10 declared in the same manner as provided by law for general elections. The election shall be held on
11 November 6, 2018, from the hour of 7:00 a.m. to the hour of 8:00 p.m., during which period of time
12 the polls will remain continuously open. At 8:00 p.m., the polls will be closed except as provided in
13 Section 14401 of the Elections Code. The Registrar of Voters shall prepare and mail to each eligible
14 voter in the County a sample ballot and a voter's pamphlet containing the text of the measure as
15 indicated in Paragraph 2 herein.

16 7. That in all particulars not recited in this resolution the election shall be held and conducted as
17 provided by law.

18 8. That this Board finds that the adoption of this Resolution and the establishment of a
19 Cannabis Business Tax is exempt from the California Environmental Quality Act (Public Resources
20 Code secs. 21000, et seq.)(“CEQA”) and 14 California Code of Regulations sections 15000, et seq.
21 (“CEQA Guidelines”). The Cannabis Business Tax to be submitted to the voters is a general tax that
22 may be used for any legitimate governmental purpose and is not a commitment to any particular action.
23 As such, under CEQA Guidelines section 15378(b)(4), the tax is not “a project” within the meaning of
24 CEQA because it creates a governmental funding mechanism that does not involve any commitment to
25 any specific project that may result in a potentially significant physical impact on the environment.
26 Therefore, pursuant to CEQA Guidelines section 15060, no CEQA analysis is required.

27 THIS RESOLUTION WAS PASSED AND ADOPTED by the Board of Supervisors
28 of the County of Lake, State of California, at a regular meeting thereof on August 7, 2018, by the

1 following vote:

2 AYES:

4 NOES:

6 ABSENT OR NOT VOTING:

8 CHAIR, Board of Supervisors

10 ATTEST: CAROL J. HUCHINGSON
11 Clerk of the
12 Board of Supervisors

APPROVED AS TO FORM:

ANITA L. GRANT
County Counsel

13 By: _____
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By: _____
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EXHIBIT “A”

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNTY OF LAKE, STATE OF CALIFORNIA, ADDING
ARTICLE VII (CANNABIS BUSINESS TAX) TO CHAPTER 18 OF THE
LAKE COUNTY CODE

THE PEOPLE OF THE COUNTY OF LAKE DO ORDAIN AS FOLLOWS:

SECTION ONE: Article VII of the Lake County Code shall be added to Chapter 18 to read
as follows:

"ARTICLE VII. CANNABIS BUSINESS TAX

Sec. 18-61. Title. This ordinance shall be known as the Cannabis Business Tax
Ordinance.

Sec. 18-62. Purpose.

The purpose of this Ordinance is to adopt a tax, for revenue purposes, upon Cannabis
Businesses that engage in business in the unincorporated area of the County of Lake. The
Cannabis Business Tax is levied based upon business gross receipts and, for cultivation at
a nursery, square footage of plant cultivation site. It is not a sales and use tax, a tax upon
income, or a tax upon real property.

The Cannabis Business Tax is a general tax enacted solely for general governmental
purposes of the County and not for specific purposes. All of the proceeds from the tax
imposed by this Article shall be placed in the County's general fund and be available for
any legal local governmental purpose. Its purpose is to impose a tax on the privilege of
conducting certain cannabis businesses in the County, which includes but is not limited to,
dispensing, producing, processing, preparing, storing, providing, donating, selling, or
distributing medical cannabis or medical cannabis products by commercial cannabis
businesses in the unincorporated area of the County.

Sec. 18-63. Intent.

The intent of this Ordinance is to levy a tax on those Cannabis Businesses described herein
that operate in the unincorporated areas of the County in accordance with the authority

1 granted by California Revenue and Taxation Code section 7284 and/or section 34021.5
2 and Government Code section 53723 to impose a business tax, regardless of whether
3 such business would have been licensed by the State of California at the time this
4 Ordinance was adopted, to specify the type of tax and rate of tax to be levied and the
5 method of collection, and to comply with all requirements for imposition of a general tax,
6 such tax to become operative only if submitted to the electorate and approved by a
7 majority vote of the voters voting in an election on the issue. Nothing in this Ordinance shall
8 be interpreted to authorize or permit any business activity that would not otherwise be legal
9 or permissible under laws applicable to the activity at the time the activity is undertaken.

10 Sec. 18-64 Definitions.

11 The following words and phrases shall have the meanings set forth below when used in this
12 Article:

13 A. "Business" shall include all activities engaged in or caused to be engaged in within the
14 unincorporated area of the County, including any commercial or industrial enterprise,
15 trade, profession, occupation, vocation, calling, or livelihood, whether or not carried on for
16 gain or profit, but shall not include the services rendered by an employee to his or her
17 employer.

18 B. "Cannabis" means all parts of the plant Cannabis sativa Linnaeus, Cannabis indica, or
19 Cannabis ruderalis, whether growing or not; the seeds thereof; the resin, whether crude or
20 purified, extracted from any part of the plant; and every compound, manufacture, salt,
21 derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means
22 the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" also
23 means marijuana as defined by Section 11018 of the California Health and Safety Code
24 and is not limited to medical cannabis.

25 C. "Cannabis product" means raw cannabis that has undergone a process whereby the raw
26 agricultural product has been transformed into a concentrate, an edible product, or a
27 topical product. "Cannabis product" also means marijuana products as defined by Section
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1 11018.1 of the California Health and Safety Code and is not limited to medical cannabis
2 products.

3 D. "Cultivation site" for purposes of this Ordinance means *a location at a nursery* where
4 cannabis is planted, grown, harvested, dried, cured, graded, packaged, stored, or trimmed
5 or that does all or any combination of those activities.

6 E. "Cannabis business" means any business activity involving cannabis, including but not
7 limited to cultivation at a nursery, transporting, distributing, manufacturing, compounding,
8 converting, processing, preparing, storing, packaging, delivering, testing, dispensing,
9 retailing and wholesaling of cannabis, of cannabis products or of ancillary products and
10 accessories, whether or not carried on for gain or profit. With the sole exception of
11 cultivation at a nursery, cultivation is not included for purposes of this Ordinance, having
12 already been separately addressed in Lake County Ordinance Number 3047 (Measure
13 "C").

14 F. "Cannabis business tax" or "business tax," means the tax due pursuant to this Article for
15 engaging in cannabis business as described herein in the unincorporated area of the
16 County.

17 G. "Cultivation" for purposes of this Ordinance means operations at a nursery involving the
18 planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.

19 H. "Delivery" means the commercial transfer of cannabis or cannabis products from a
20 dispensary.

21 I. "Dispensary" ("Retailer") means an adult-use retailer and includes, but is not limited to, a
22 facility where cannabis, cannabis products, or devices for the use of cannabis or cannabis
23 products are offered, either individually or in any combination, for retail sale, including a
24 person that delivers cannabis and cannabis products as part of a retail sale. Where a
25 dispensary performs its functions through a technology platform of any type or character,
26 the technology platform shall also be deemed a dispensary for purposes of this chapter,
27 and shall have the same duties and liabilities as the principal. Compliance with the
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provisions of this Article by either the principal or the technology platform shall, however, be considered compliance by both.

J. "Distributor" or "distribution", "distribution facility", "transporter", or "transportation facility" means a person involved in the procurement, sale, and/or transport of cannabis and cannabis products between two (2) or more cannabis businesses.

K. "Employee" means each and every person engaged in the operation or conduct of any business, whether as owner, member of the owner's family, partner, associate, agent, manager or solicitor, and each and every other person employed or working in such business for a wage, salary, commission, barter or any other form of compensation.

L. "Engaged in business as a cannabis business" means the has obtained the County-required permitting and/or licensing for, commencing, conducting, operating, managing or carrying on of a cannabis business, whether done as owner, or by means of an officer, agent, manager, employee, or otherwise, whether operating from a fixed location in the unincorporated area of the County or coming into the County from an outside location to engage in such activities. A person shall be deemed engaged in business within the unincorporated area of the County if:

1. Such person or person's employee maintains a fixed place of business within the unincorporated area of the County for the benefit or partial benefit of such person;
2. Such person or person's employee owns or leases real property within the unincorporated area of the County for business purposes;
3. Such person has obtained all necessary County and State permits and/or license for cannabis business purposes;
4. Such person or person's employee regularly maintains a stock of tangible personal property in the unincorporated area for sale in the ordinary course of business;
5. Such person or person's employee regularly conducts solicitation of business within the unincorporated area of the County; or
6. Such person or person's employee performs work or renders services in the County.

1 M. "Evidence of doing business" includes, but is not limited to, the use of signs, circulars,
2 cards or any other advertising media, including the use of internet or telephone solicitation,
3 or representation to a government agency or to the public that such person is engaged in a
4 cannabis business in the unincorporated area of the County.

5 N. "Fiscal year" means July 1 through June 30 of the following calendar year.

6 O. "Gross Receipts," except as otherwise specifically provided, means, whether
7 designated a sales price, royalty, rent, commission, dividend, or other designation, the total
8 amount (including all receipts, cash, credits and property of any kind or nature) received or
9 payable for sales of goods, wares or merchandise or for the performance of any act or
10 service of any nature for which a charge is made or credit allowed (whether such service,
11 act or employment is done as part of or in connection with the sale of goods, wares,
12 merchandise or not), without any deduction therefrom on account of the cost of the
13 property sold, the cost of materials used, labor or service costs, interest paid or payable,
14 losses or any other expense whatsoever. However, the following shall be excluded from
15 Gross Receipts:

- 16 1. Cash discounts where allowed and taken on sales;
- 17 2. Any tax required by law to be included in or added to the purchase price and collected
18 from the consumer or purchaser;
- 19 3. Such part of the sale price of any property returned by purchasers to the seller as
20 refunded by the seller by way of cash or credit allowances or return of refundable deposits
21 previously included in gross receipts;
- 22 4. Whenever there are included within the gross receipts amounts which reflect sales for
23 which credit is extended and such amount proved uncollectible in a subsequent year, those
24 amounts may be excluded from the gross receipts in the year they prove to be
25 uncollectible; provided, however, if the whole or portion of such amounts excluded as
26 uncollectible are subsequently collected they shall be included in the amount of gross
27 receipts for the period when they are recovered;
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1 5. Receipts of refundable deposits, except that such deposits when forfeited and taken into
2 income of the business shall not be excluded when in excess of one dollar.

3 P. "Manufacturer" and "Manufacturing" means the production, preparation, processing,
4 labeling, packaging, processing, or compounding of manufactured cannabis or cannabis
5 products either directly or indirectly or by extraction methods, or independently by means
6 of chemical synthesis or by a combination of extraction and chemical synthesis at a fixed
7 location that packages or repackages cannabis or cannabis products or labels or re-labels
8 its containers.

9 Q. "Micro-Business means commercial cannabis activity falling under the category "Type
10 12--Microbusiness" in Section 26050 of the California Business and Professions Code.

11 R. "Nursery" means a facility or part of a facility that is used only for producing clones,
12 immature plants, seeds, and other agricultural products used specifically for the planting,
13 propagation, and cultivation of cannabis.

14 S. "Person" means an individual, firm, partnership, joint venture, association, corporation,
15 limited liability company, estate, trust, business trust, receiver, syndicate, or any other
16 group or combination acting as a unit, whether organized as a nonprofit or for-profit entity,
17 and includes the plural as well as the singular number.

18 T. "Sale" means and includes any sale, exchange, or barter.

19 U. "State" means the State of California.

20 V. "State license," "license," or "registration" means a state license issued pursuant to
21 California Business & Professions Code Sections 19300, et seq. or other applicable state
22 law.

23 W. "Square foot" or "square footage" for purposes of this Ordinance means the maximum
24 amount of cannabis cultivation area at a nursery operation authorized by a county permit
25 issued to a person engaging in said operation, or by a state license in the absence of a
26 county permit or license, not deducting for unutilized square footage.

27 X. "Tax Administrator" means the County Administrative Officer or her/his designee who
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1 shall be responsible for the initial development, operation, and maintenance of a program
2 to organize, structure, coordinate, and manage an administration process designed to assist
3 the Treasurer-Tax Collector in the collection of the cannabis business tax and to facilitate
4 the Treasurer-Tax Collector's tax collection processes. The position of Tax Administrator
5 shall continue until such time as the Board of Supervisors determines that sufficient
6 administrative structure and processes have been implemented and can be maintained to
7 assist the Treasurer-Tax Collector in the collection of these taxes pursuant to the statutory
8 obligations of that Office.

9 Y. "Testing Laboratory" means a cannabis business that (i) offers or performs tests of
10 medical cannabis or medical cannabis products, (ii) offers no service other than such tests,
11 (iii) sells no products, excepting only testing supplies and materials, (iv) is accredited by an
12 accrediting body that is independent from all other persons involved in the medical
13 cannabis industry in the state and (v) is registered with the State Department of Public
14 Health.

15 Sec. 18-65. Tax Imposed.

16 A. Tax to be Effective January 1, 2021.

17 The following tax rates to imposed on all commercial cannabis business of the type
18 described hereinabove shall be effective until January 1, 2021, at which time they may be
19 subject to change within the limitations described in Section ____ herein:

- 20 1. For cultivation at a nursery, an annual tax of one dollar (\$1) per square foot of any
21 cultivation site at any nursery.
- 22 2. For persons engaged in the operation of a testing laboratory, an annual tax of zero
23 percent (0%) of gross receipts.
- 24 3. For every person who engages in the retail sales of cannabis as a dispensary,
25 micro-business, or delivery business, an annual tax four percent (4%) of gross receipts.
- 26 4. For every person who engages in a cannabis manufacturing, processing, transportation,
27 distribution or any other type of cannabis business not specifically described hereinabove
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1 but referenced in section 18-64 herein, an annual tax of two and one-half percent (2.5%)
2 of gross receipts.

3 B. Consumer Price Index (CPI). On July 1, 2020 and each July 1 thereafter, the
4 maximum annual tax rate shall increase by the percentage change between January of the
5 calendar year prior to such increase and January of the calendar year of the increase in the
6 Consumer Price Index ("CPI") for all urban consumers in the San Francisco County area
7 as published by the United States Government Bureau of Labor Statistics. However, no
8 CPI adjustment resulting in a decrease of any tax imposed by this subsection shall be
9 made.

10 Sec. 18-66. Reporting and Payment of Tax.

11 A. For cannabis cultivation at a nursery, the tax due for each calendar quarter shall be
12 based on the square footage of the business's cultivation site space during the quarter and
13 the rate shall be 25% of the applicable annual rate. For all other cannabis businesses
14 activities, the tax due for each calendar quarter shall be based on the gross receipts for the
15 quarter. Each person owing a commercial cannabis business tax, and each person on
16 whom a zero percent tax rate is imposed, shall, on or before the last day of the month
17 following the close of each fiscal year quarter, prepare and submit a tax statement remitting
18 to the Treasurer-Tax Collector the tax due. The tax due shall be no less than the quarterly
19 installment due, but the taxpayer may at any time pay the tax due for the entire fiscal year.
20 Each business shall pay on or before the last day of the month following the close of each
21 calendar quarter.

22 B. All tax statements shall be completed on forms prescribed by the Tax Administrator
23 and approved by the Treasurer-Tax Collector.

24 C. Tax statements and payments for all outstanding taxes owed the county are
25 immediately due to the Treasurer-Tax Collector upon cessation of business for any reason.

26 D. The Treasurer-Tax Collector may, at his or her discretion, establish shorter report and
27 payment periods for any taxpayer as deemed necessary to ensure collection of the tax. The
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1 Treasurer-Tax Collector may also require that a deposit, to be applied against the taxes for
2 a calendar quarter, be made by a taxpayer at the beginning that calendar quarter. In no
3 event shall the deposit required exceed the tax amount he or she projects will be owed by
4 the taxpayer for the calendar quarter. The Treasurer-Tax Collector may require that a
5 taxpayer make payments via a cashier's check, money order, wire transfer, or similar
6 instrument.

7 Sec. 18-67. Timely Remittance of Tax Payments.

8 Whenever any payment, statement, report, request or other communication is due, it must
9 be received by the Treasurer-Tax Collector on or before the final due date. A postmark
10 will not be accepted as timely remittance. If the due date would fall on a Saturday, Sunday
11 or a holiday, the due date shall be the next regular business day on which the County is
12 open to the public.

13 Sec. 18-68. Registration.

14 In order that the county will have an accurate record of parties for purposes of collecting
15 the cannabis business tax, prior to commencing business each person engaged in a
16 commercial cannabis business as described herein shall register such cannabis business
17 with the Tax Administrator submitting any information deemed necessary by the Tax
18 Administrator.

19 Sec. 18-69 Delinquent Taxes.

20 Unless otherwise specifically provided under other provisions of this Article, the taxes
21 required to be paid pursuant to this Article shall be deemed delinquent if not received by
22 the Treasurer-Tax Collector on or before the due date as specified in Section 18-66
23 hereinabove.

24 Sec. 18-70. Issuance of Notice by the County Not Required.

25 The Treasurer-Tax Collector is not required to send a delinquency or other notice or bill to
26 any person subject to the provisions of this Article. Failure to send such notice or bill shall
27 not affect the validity of any tax or penalty due under the provisions of this Article.
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1 Sec. 18-71. Penalties and Interest.

2 A. Any person who fails or refuses to pay any cannabis business tax required to be paid
3 pursuant to this Article on or before the due date shall pay penalties and interest as follows:

4 1. A penalty equal to ten percent (10%) of the amount of the tax, in addition to the amount
5 of the tax, plus interest on the unpaid tax calculated from the due date of the tax at the rate
6 of one percent (1.0%) per month.

7 2. If the tax remains unpaid for a period exceeding one calendar month beyond the due
8 date, an additional penalty equal to twenty-five percent (25%) of the amount of the tax,
9 plus interest at the rate of one percent (1.0%) per month on the unpaid tax and on the
10 unpaid penalties.

11 3. Interest shall be applied at the rate of one percent (1.0%) per month on the first day of
12 the month for the full month, and will continue to accrue monthly on the tax and penalty
13 until the balance is paid in full.

14 B. Whenever a check or electronic payment is submitted in payment of a cannabis
15 business tax and the payment is subsequently returned unpaid by the bank for any reason,
16 the taxpayer will be liable for the tax amount due plus any fees, penalties and interest as
17 provided for in this Section, and any other amount allowed under state law.

18 Sec. 18-72. Refunds and Credits.

19 A. No refund shall be made of any tax collected pursuant to this Article, except as
20 authorized by law.

21 B. No refund of any tax collected pursuant to this Article shall be made because of the
22 discontinuation, dissolution, or other termination of a business.

23 Sec. 18-73. Refunds.

24 A. Whenever the amount of any cannabis business tax, penalty or interest has been
25 overpaid, paid more than once, or has been erroneously collected or received by the
26 County under this Article, it may be refunded to the claimant who paid the tax provided
27 that a written claim for refund is filed with the Treasurer-Tax Collector within one (1) year
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1 of the date the tax was originally due and payable.

2 B. The Tax Administrator, his or her designee or any other County officer charged with the
3 administration of this Article shall have the right to examine and audit all the books and
4 business records of the claimant in order to determine the eligibility of the claimant to the
5 claimed refund. No claim for refund shall be allowed if the claimant refuses to allow such
6 examination of claimant's books and business records after request by the Tax
7 Administrator to do so.

8 C. In the event that the cannabis business tax was erroneously paid and the error is
9 attributable to the County, the County shall refund the amount of tax erroneously paid up
10 to one (1) year from when the error was identified.

11 Sec. 18-74. Administration of the Tax.

12 A. It shall be the duty of the Treasurer-Tax Collector to collect the taxes, penalties, fees,
13 and perform the duties of that Office as required by this Article.

14 B. For purposes of administration and enforcement of this Article generally, the County
15 Board of Supervisors may from time to time promulgate such administrative interpretations,
16 rules, and

17 procedures consistent with the purpose, intent, and express terms of this Article as that
18 Board deems necessary to implement or clarify such provisions or aid in enforcement.

19 C. With the approval of the Treasurer-Tax Collector, the Tax Administrator may take such
20 administrative actions as needed to administer the tax, including but not limited to:

- 21 1. Provide to all cannabis business taxpayers forms for the reporting of the tax;
- 22 2. Provide information to any taxpayer concerning the provisions of this Article;
- 23 3. Prepare all necessary documentation in order to receive and record all taxes remitted
24 to the County as provided in this Article;
- 25 4. Maintain records of taxpayer reports and taxes collected pursuant to this Article;
- 26 5. Subject to review and final approval by the Treasurer-Tax Collector, calculate any penalties
27 and interest to taxpayers pursuant to this Article;
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6. Subject to review and final approval by the Treasurer-Tax Collector, calculate the amounts owed to assist the Treasurer-Tax Collector in the enforcement of collection pursuant to this Article.

Sec. 18-75. Appeal Procedure.

Any taxpayer aggrieved by any decision of the Treasurer-Tax Collector with respect to the amount of tax, interest, penalties and fees, if any, due under this Article may appeal to the Board of Supervisors by filing a notice of appeal with the Clerk of the Board within thirty (30) days of the serving or mailing of the determination of tax due. The Clerk of the Board, or his or her designee, shall fix a time and place for hearing such appeal, and the Clerk of the Board, or his or her designee, shall give notice in writing to such operator at the last known place of address. The finding of the Board of Supervisors shall be final and conclusive and shall be served upon the appellant in the manner prescribed by this Article for service of notice of hearing. Any amount found to be due shall be immediately due and payable upon the service of the notice.

Sec. 18-76. Enforcement Actions to Collect Unpaid Taxes, Penalties, and Fees.

Any taxes, penalties and/or fees required to be paid under the provisions of this Article shall be deemed a debt owed to the County. Any person owing money to the County under the provisions of this Article shall be liable in an action brought in the name of the County for the recovery of such debt. The provisions of this Section shall not be deemed a limitation upon the right of the County to bring any other action including criminal, civil, and equitable actions, based upon the failure to pay the tax, penalties and/or fees imposed by this Article, the unfair business practices which may result from such failure, or the failure to comply with any of the provisions of this Article.

Sec. 18-77. Apportionment.

If a business subject to the tax is operating both within and outside the unincorporated area of the County, it is the intent of the County to apply the cannabis business tax so that the measure of the tax fairly reflects the proportion of the taxed activity actually carried on in the unincorporated area of the County. To the extent federal or state law requires that any tax due

1 from any taxpayer be apportioned, the taxpayer may indicate said apportionment on his or her
2 tax return. The Tax Administrator may promulgate administrative procedures for apportionment
3 as he or she finds useful or necessary.

4 Sec. 18-78. Constitutionality.

5 This tax is intended to be applied in a manner consistent with the United States and California
6 Constitutions and state law. None of the tax provided for by this Article shall be applied in a
7 manner that causes an undue burden upon interstate commerce, a violation of the equal
8 protection or due process clauses of the Constitutions of the United States or the State of
9 California or a violation of any other provision of the California Constitution or state law. Any
10 person who believes that the tax, as applied to him or her, is impermissible under applicable law,
11 may take seek those remedies which are legally authorized.

12 Sec. 18-79. Audit and Examination.

13 A. Power to Inspect. For the purpose of ascertaining the amount of cannabis business tax owed
14 or verifying any representations made by any taxpayer to the County in support of his or her tax
15 calculation, the Treasurer-Tax Collector shall have the power to inspect any location where
16 commercial cannabis business operations occur and to audit and examine all books and records
17 (including, but not limited to bookkeeping records, state and federal income tax returns, and
18 other records relating to the gross receipts of the business) of persons engaged in cannabis
19 businesses. In conducting such investigation, the Treasurer-Tax Collector shall have the power
20 to inspect any equipment, such as computers or point of sale machines that may contain such
21 records.

22 B. It shall be the duty of every person liable for the collection and payment to the County of any
23 tax imposed by this Article to keep and preserve, for a period of at least three (3) years, all
24 records as may be necessary to determine the amount of such tax as he or she may have been
25 liable for the collection of and payment to the County, which records the Tax Administrator or
26 his/her designee shall have the right to inspect at all reasonable times.

27 Sec. 18-80. Other Licenses/Permits/Taxes/Fees/Charges Are Not Affected.

1 Nothing contained in this Article shall be deemed to repeal, amend, be in lieu of, replace or in
2 any way affect any requirements for any permit or license required by, under or by virtue of any
3 provision of any other Article of this code or any other ordinance or resolution of the County.

4 Sec. 18-81. Payment of Tax Does Not Authorize Unlawful Business.

5 A. The payment of a cannabis business tax required by this Article, and its acceptance by the
6 County, shall not entitle any person to carry on any cannabis business unless the person has
7 complied with all of the requirements of this Code and all other applicable state laws.

8 B. No tax paid under the provisions of this Article shall be construed as authorizing the conduct
9 or continuance of any illegal or unlawful business, or any business in violation of any local or
10 state law.

11 Sec. 18-82. Change of Ownership.

12 A. In the event that there is a change in ownership of any cannabis business, the new owner is
13 required to submit an updated registration form to the Tax Administrator.

14 B. Unless otherwise provided by law, upon the sale of any cannabis business:

15 (1) It is the joint and several liability of both the seller and buyer to remit any tax due up until the
16 date of sale; and

17 (2) A Certificate of Delinquent Cannabis Business Tax Lien may be filed against both the seller
18 and/or buyer in an amount determined by the Treasurer-Tax Collector.

19 C. Following any change of ownership, the new owner is subject to an audit by the Tax
20 Administrator or his or her designee.

21 D. Any owner of a cannabis business required to collect or pay the cannabis business tax may
22 apply to the Treasurer-Tax Collector for and receive, within ninety (90) days of application, a
23 Tax Clearance Certificate, provided that the taxes and any penalties are paid in full for the time
24 period specified.

25 Sec. 18-83. Deficiency Determinations.

26 If the Treasurer-Tax Collector is not satisfied that any statement filed as required under the
27 provisions of this Article is correct, or that the amount of tax is correctly computed, he or she
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1 may compute and determine the amount to be paid and make a deficiency determination upon
2 the basis of the facts contained in the statement or upon the basis of any information in his or her
3 possession or that may come into his or her possession within three (3) years of the date the tax
4 was originally due and payable. One or more deficiency determinations of the amount of tax due
5 for a period or periods may be made. When a person discontinues engaging in a business, a
6 deficiency determination may be made at any time within three (3) years thereafter as to any
7 liability arising from engaging in such business whether or not a deficiency determination is issued
8 prior to the date the tax would otherwise be due. Whenever a deficiency determination is made,
9 a notice shall be given to the person concerned in the same manner as notices of assessment are
10 given under Section 18-86 herein.

11 Sec. 18-84. Failure to Report Nonpayment and/or Fraud.

12 A. Under any of the following circumstances, the Treasurer-Tax Collector may make and give
13 notice of an assessment of the amount of tax owed by a person as defined in Section 18-64(U)
14 herein at any time:

- 15 1. If the person has not filed a complete statement required under the provisions of this Article;
- 16 2. If the person has not paid the tax due under the provisions of this Article;
- 17 3. If the person has not, after demand by the Treasurer-Tax Collector, filed a corrected
18 statement, or furnished to the Treasurer-Tax Collector adequate substantiation of the information
19 contained in a statement already filed, or paid any additional amount of tax due under the
20 provisions of this Article; or
- 21 4. If the Treasurer-Tax Collector determines that the nonpayment of any business tax due under
22 this Article is due to fraud, a penalty of twenty-five percent (25%) of the amount of the tax shall
23 be added thereto in addition to penalties and interest otherwise stated in this Article and any
24 other penalties allowed by law.

25 B. The notice of assessment shall separately set forth the amount of any tax known by the
26 Treasurer-Tax Collector be due or estimated by the Treasurer-Tax Collector, after
27 consideration of all information available concerning the business and activities of the person
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1 assessed, to be due under each applicable section of this Article and shall include the amount of
2 any penalties or interest accrued on each amount to the date of the notice of assessment.

3 Sec. 18-85. Tax Assessment - Notice Requirements.

4 The notice of assessment shall be served upon the person either by personal delivery, or by a
5 deposit of the notice in the United States mail, postage prepaid thereon, addressed to the person
6 at the address of the location of the business or to such other address as he or she shall register
7 with the Treasurer-Tax Collector for the purpose of receiving notices provided under this Article
8 or, should the person have no address registered with the Treasurer-Tax Collector for such
9 purpose, then to such person's last known address. For the purposes of this Section, a service
10 by mail is complete at the time of deposit in the United States mail.

11 Sec. 18-86. Tax Assessment - Written Request for Hearing and Determination.

12 Within thirty (30) days after the date of service the person may request in writing to the
13 Treasurer-Tax Collector for a hearing on the assessment. If request for a hearing before the
14 County Board of Supervisors is not made within the time herein prescribed, the tax assessed by
15 the Treasurer-Tax Collector shall become final and conclusive. Within thirty (30) days of the
16 receipt of any such request for hearing, the Treasurer-Tax Collector shall cause the matter to be
17 set for hearing before him or her no later than thirty (30) days after the receipt of the request,
18 unless a later date is agreed to by the Treasurer-Tax Collector and the person requesting the
19 hearing. Notice of such hearing shall be given by the Treasurer-Tax Collector to the person
20 requesting such hearing not later than five (5) days prior to such hearing. At such hearing said
21 applicant may appear and offer evidence why the assessment as made by the Tax Administrator
22 should not be confirmed and fixed as the tax due. After such hearing the Tax Administrator shall
23 determine and reassess the proper tax to be charged and shall give written notice to the person
24 in the manner prescribed in Section 18-86 for giving notice of assessment.

25 Sec. 18-87. Conviction for Violation-Taxes Not Waived.

26 The conviction and punishment of any person for failure to pay the required tax shall not excuse
27 or exempt such person from any civil action for the tax debt unpaid at the time of such
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conviction. No civil action shall prevent a criminal prosecution for any violation of the provisions of this Article or of any state law requiring the payment of all taxes.

Sec. 18-88. Violation is a Misdemeanor.

Any person violating any of the provisions of this Article shall be guilty of a misdemeanor.

Sec. 18-89. Severability.

If any provision of this Article, or its application to any person or circumstance, is determined by a court of competent jurisdiction to be unlawful, unenforceable or otherwise void, that determination shall have no effect on any other provision of this Article or the application of this Article to any other person or circumstance and, to that end, the provisions hereof are severable.

Sec. 18-90. Remedies Are Cumulative.

All remedies and penalties prescribed by this Article or which are available under any other provision of the Lake County Code and any other provision of law or equity are cumulative. The use of one or more remedies by the County shall not bar the use of any other remedy for the purpose of enforcing the provisions of this Article

Sec. 18-91. Amendment or Repeal.

This Article may be repealed or amended by the County Board of Supervisors without a vote of the people to the extent allowed by law. However, as required by Article XIII C of the California Constitution, voter approval is required for any amendment that would increase the rate of any tax levied pursuant to this Article. The people of the County of Lake affirm that the following actions shall not constitute an increase of the rate of a tax:

- A. The restoration of the rate of the tax to a rate that is no higher than that set by this Article, if the Board of Supervisors has acted to reduce the rate of the tax;
- B. An action that interprets or clarifies the methodology of the tax, or any definition applicable to the tax, so long as interpretation or clarification (even if contrary to some prior interpretation or clarification) is not inconsistent with the language of this Article; or
- C. The collection of the tax imposed by this Article even if the County had, for some period of time, failed to collect the tax."

1 **SECTION TWO:** Election. An election on the issue of imposing a Cannabis Business Tax
2 shall be held together with the statewide general election on November 6, 2018. This ordinance
3 shall take effect immediately upon its adoption by a majority of voters at the November 6, 2018
4 election.

5 **SECTION THREE:** The purpose of the Ordinance enacting this Article is to impose a general
6 tax to establish a government funding mechanism for those purposes described therein, but the
7 County is not committing to any specific course of action with regard to the tax revenue generated
8 hereunder. Therefore, this Article is not a "project" subject to the requirements of the California
9 Environmental Quality Act ("CEQA") as defined in section 15378, subdivision (b).

10 **SECTION FOUR:** Severability. If any section, subsection, sentence, clause or phrase of this
11 ordinance is for any reason held to be invalid, such decision shall not affect the validity of the
12 remaining portions of this ordinance. The Board of Supervisors hereby declares that it would have
13 passed this ordinance and each section, subsection, sentence, clause and phrase thereof,
14 irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases
15 be declared invalid.

16 **SECTION FIVE:** All ordinances or parts of ordinances in conflict herewith are hereby
17 repealed to the extent of such conflict and no further.

18 **SECTION SIX:** Within fifteen days of the passage of the ordinance enacting this
19 Chapter, the Clerk of the Board of Supervisors shall publish a summary of this ordinance at least
20 once in a newspaper of general circulation printed and published in the County of Lake.

21 //

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1 The Foregoing Ordinance was introduced before the Board of Supervisors on the
2 _____ day of _____, 2018 and passed by the following vote on the ____ day of
3 _____, 2018.

4
5 AYES:

6 NOES:

7 ABSENT OR NOT VOTING:

8 COUNTY OF LAKE

9
10 _____
11 Chair Board of Supervisors

12 ATTEST: CAROL J. HUCHINGSON
13 Clerk of the Board of Supervisors

14 APPROVED AS TO FORM:
15 ANITA L. GRANT

16 By: _____

17 Deputy

By: _____

18
19 This Ordinance was approved and adopted by the People of the County of Lake at the County's
20 November 6, 2018 statewide election.

21
22 ATTEST: CAROL J. HUCHINGSON
23 Clerk of the Board of Supervisors

24
25 By: _____

26 Deputy

EXHIBIT “B”

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNTY OF LAKE, STATE OF CALIFORNIA, ADDING
ARTICLE VII (CANNABIS BUSINESS TAX) TO CHAPTER 18 OF THE
LAKE COUNTY CODE

THE PEOPLE OF THE COUNTY OF LAKE DO ORDAIN AS FOLLOWS:

SECTION ONE: Article VII of the Lake County Code shall be added to Chapter 18 to read as follows:

"ARTICLE VII. CANNABIS BUSINESS TAX

Sec. 18-61. Title. This ordinance shall be known as the Cannabis Business Tax Ordinance.

Sec. 18-62. Purpose.

The purpose of this Ordinance is to adopt a tax, for revenue purposes, upon Cannabis Businesses that engage in business in the unincorporated area of the County of Lake. The Cannabis Business Tax is levied based upon business gross receipts and, for cultivation at a nursery, square footage of plant cultivation site. It is not a sales and use tax, a tax upon income, or a tax upon real property.

The Cannabis Business Tax is a general tax enacted solely for general governmental purposes of the County and not for specific purposes. All of the proceeds from the tax imposed by this Article shall be placed in the County's general fund and be available for any legal local governmental purpose. Its purpose is to impose a tax on the privilege of conducting certain cannabis businesses in the County, which includes but is not limited to, dispensing, producing, processing, preparing, storing, providing, donating, selling, or distributing medical cannabis or medical cannabis products by commercial cannabis businesses in the unincorporated area of the County.

Sec. 18-63. Intent.

The intent of this Ordinance is to levy a tax on those Cannabis Businesses described herein that operate in the unincorporated areas of the County in accordance with the authority granted by California Revenue and Taxation Code section 7284 and/or section 34021.5 and Government

Code section 53723 to impose a business tax, regardless of whether such business would have been licensed by the State of California at the time this Ordinance was adopted, to specify the type of tax and rate of tax to be levied and the method of collection, and to comply with all requirements for imposition of a general tax, such tax to become operative only if submitted to the electorate and approved by a majority vote of the voters voting in an election on the issue. Nothing in this Ordinance shall be interpreted to authorize or permit any business activity that would not otherwise be legal or permissible under laws applicable to the activity at the time the activity is undertaken.

Sec. 18-64 Definitions.

The following words and phrases shall have the meanings set forth below when used in this Article:

A. "Business" shall include all activities engaged in or caused to be engaged in within the unincorporated area of the County, including any commercial or industrial enterprise, trade, profession, occupation, vocation, calling, or livelihood, whether or not carried on for gain or profit, but shall not include the services rendered by an employee to his or her employer.

B. "Cannabis" means all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" also means marijuana as defined by Section 11018 of the California Health and Safety Code and is not limited to medical cannabis.

C. "Cannabis product" means raw cannabis that has undergone a process whereby the raw agricultural product has been transformed into a concentrate, an edible product, or a topical product. "Cannabis product" also means marijuana products as defined by Section 11018.1 of the California Health and Safety Code and is not limited to medical cannabis products.

D. "Cultivation site" for purposes of this Ordinance means *a location at a nursery* where

1 cannabis is planted, grown, harvested, dried, cured, graded, packaged, stored, or trimmed or
2 that does all or any combination of those activities.

3 E. "Cannabis business" means any business activity involving cannabis, including but not limited
4 to *cultivation at a nursery*, transporting, distributing, manufacturing, compounding, converting,
5 processing, preparing, storing, packaging, delivering, testing, dispensing, retailing and
6 wholesaling of cannabis, of cannabis products or of ancillary products and accessories, whether
7 or not carried on for gain or profit. *With the sole exception of cultivation at a nursery,*
8 *cultivation is not included for purposes of this Ordinance, having already been separately*
9 *addressed in Lake County Ordinance Number 3047 (Measure "C").*

10 F. "Cannabis business tax" or "business tax," means the tax due pursuant to this Article for
11 engaging in cannabis business as described herein in the unincorporated area of the County.

12 G. "Cultivation" for purposes of this Ordinance means *operations at a nursery* involving the
13 planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.

14 H. "Delivery" means the commercial transfer of cannabis or cannabis products from a
15 dispensary.

16 I. "Dispensary" ("Retailer") means an adult-use retailer and includes, but is not limited to, a
17 facility where cannabis, cannabis products, or devices for the use of cannabis or cannabis
18 products are offered, either individually or in any combination, for retail sale, including a person
19 that delivers cannabis and cannabis products as part of a retail sale. Where a dispensary
20 performs its functions through a technology platform of any type or character, the technology
21 platform shall also be deemed a dispensary for purposes of this chapter, and shall have the
22 same duties and liabilities as the principal. Compliance with the provisions of this Article by
23 either the principal or the technology platform shall, however, be considered compliance by
24 both.

25 J. "Distributor" or "distribution", "distribution facility", "transporter", or "transportation facility"
26 means a person involved in the procurement, sale, and/or transport of cannabis and cannabis
27 products between two (2) or more cannabis businesses.

1 K. "Employee" means each and every person engaged in the operation or conduct of any
2 business, whether as owner, member of the owner's family, partner, associate, agent, manager
3 or solicitor, and each and every other person employed or working in such business for a wage,
4 salary, commission, barter or any other form of compensation.

5 L. "Engaged in business as a cannabis business" means the has obtained the County-required
6 permitting and/or licensing for, commencing, conducting, operating, managing or carrying on of
7 a cannabis business, whether done as owner, or by means of an officer, agent, manager,
8 employee, or otherwise, whether operating from a fixed location in the unincorporated area of
9 the County or coming into the County from an outside location to engage in such activities. A
10 person shall be deemed engaged in business within the unincorporated area of the County if:

- 11 1. Such person or person's employee maintains a fixed place of business within the
12 unincorporated area of the County for the benefit or partial benefit of such person;
- 13 2. Such person or person's employee owns or leases real property within the unincorporated
14 area of the County for business purposes;
- 15 3. Such person has obtained all necessary County and State permits and/or license for
16 cannabis business purposes;
- 17 4. Such person or person's employee regularly maintains a stock of tangible personal property
18 in the unincorporated area for sale in the ordinary course of business;
- 19 5. Such person or person's employee regularly conducts solicitation of business within the
20 unincorporated area of the County; or
- 21 6. Such person or person's employee performs work or renders services in the County.

22 M. "Evidence of doing business" includes, but is not limited to, the use of signs, circulars, cards
23 or any other advertising media, including the use of internet or telephone solicitation, or
24 representation to a government agency or to the public that such person is engaged in a
25 cannabis business in the unincorporated area of the County.

26 N. "Fiscal year" means July 1 through June 30 of the following calendar year.

27 O. "Gross Receipts," except as otherwise specifically provided, means, whether designated a
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1 sales price, royalty, rent, commission, dividend, or other designation, the total amount (including
2 all receipts, cash, credits and property of any kind or nature) received or payable for sales of
3 goods, wares or merchandise or for the performance of any act or service of any nature for
4 which a charge is made or credit allowed (whether such service, act or employment is done as
5 part of or in connection with the sale of goods, wares, merchandise or not), without any
6 deduction therefrom on account of the cost of the property sold, the cost of materials used,
7 labor or service costs, interest paid or payable, losses or any other expense whatsoever.

8 However, the following shall be excluded from Gross Receipts:

- 9 1. Cash discounts where allowed and taken on sales;
- 10 2. Any tax required by law to be included in or added to the purchase price and collected from
11 the consumer or purchaser;
- 12 3. Such part of the sale price of any property returned by purchasers to the seller as refunded
13 by the seller by way of cash or credit allowances or return of refundable deposits previously
14 included in gross receipts;
- 15 4. Whenever there are included within the gross receipts amounts which reflect sales for which
16 credit is extended and such amount proved uncollectible in a subsequent year, those amounts
17 may be excluded from the gross receipts in the year they prove to be uncollectible; provided,
18 however, if the whole or portion of such amounts excluded as uncollectible are subsequently
19 collected they shall be included in the amount of gross receipts for the period when they are
20 recovered;
- 21 5. Receipts of refundable deposits, except that such deposits when forfeited and taken into
22 income of the business shall not be excluded when in excess of one dollar.

23 P. "Manufacturer" and "Manufacturing" means the production, preparation, processing,
24 labeling, packaging, processing, or compounding of manufactured cannabis or cannabis
25 products either directly or indirectly or by extraction methods, or independently by means of
26 chemical synthesis or by a combination of extraction and chemical synthesis at a fixed location
27 that packages or repackages cannabis or cannabis products or labels or re-labels its containers.
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1 Q. "Micro-Business means commercial cannabis activity falling under the category "Type
2 12--Microbusiness" in Section 26050 of the California Business and Professions Code.

3 R. "Nursery" means a facility or part of a facility that is used only for producing clones,
4 immature plants, seeds, and other agricultural products used specifically for the planting,
5 propagation, and cultivation of cannabis.

6 S. "Person" means an individual, firm, partnership, joint venture, association, corporation,
7 limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or
8 combination acting as a unit, whether organized as a nonprofit or for-profit entity, and includes
9 the plural as well as the singular number.

10 T. "Sale" means and includes any sale, exchange, or barter.

11 U. "State" means the State of California.

12 V. "State license," "license," or "registration" means a state license issued pursuant to California
13 Business & Professions Code Sections 19300, et seq. or other applicable state law.

14 W. "Square foot" or "square footage" for purposes of this Ordinance means the maximum
15 amount of cannabis cultivation area at a nursery operation authorized by a county permit issued
16 to a person engaging in said operation, or by a state license in the absence of a county permit or
17 license, not deducting for unutilized square footage.

18 X. "Tax Administrator" means the County Administrative Officer or her/his designee who shall
19 be responsible for the initial development, operation, and maintenance of a program to
20 organize, structure, coordinate, and manage an administration process designed to assist the
21 Treasurer-Tax Collector in the collection of the cannabis business tax and to facilitate the
22 Treasurer-Tax Collector's tax collection processes. The position of Tax Administrator shall
23 continue until such time as the Board of Supervisors determines that sufficient administrative
24 structure and processes have been implemented and can be maintained to assist the
25 Treasurer-Tax Collector in the collection of these taxes pursuant to the statutory obligations of
26 that Office.

27 Y. "Testing Laboratory" means a cannabis business that (i) offers or performs tests of medical
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cannabis or medical cannabis products, (ii) offers no service other than such tests, (iii) sells no products, excepting only testing supplies and materials, (iv) is accredited by an accrediting body that is independent from all other persons involved in the medical cannabis industry in the state and (v) is registered with the State Department of Public Health.

Sec. 18-65. Tax Imposed.

A. Tax to be Effective January 1, 2021.

The following tax rates to imposed on all commercial cannabis business of the type described hereinabove shall be effective until January 1, 2021, at which time they may be subject to change within the limitations described in Section ____ herein:

1. For cultivation at a nursery, an annual tax of one dollar (\$1) per square foot of any cultivation site at any nursery.
2. For persons engaged in the operation of a testing laboratory, an annual tax of zero percent (0%) of gross receipts.
3. For every person who engages in the retail sales of cannabis as a dispensary, micro-business, or delivery business, an annual tax four percent (4%) of gross receipts.
4. For every person who engages in a cannabis manufacturing, processing, transportation, distribution or any other type of cannabis business not specifically described hereinabove but referenced in section 18-64 herein, an annual tax of two and one-half percent (2.5%) of gross receipts.

B. Consumer Price Index (CPI). On July 1, 2020 and each July 1 thereafter, the maximum annual tax rate shall increase by the percentage change between January of the calendar year prior to such increase and January of the calendar year of the increase in the Consumer Price Index ("CPI") for all urban consumers in the San Francisco County area as published by the United States Government Bureau of Labor Statistics. However, no CPI adjustment resulting in a decrease of any tax imposed by this subsection shall be made.

Sec. 18-66. Reporting and Payment of Tax.

A. For cannabis cultivation at a nursery, the tax due for each calendar quarter shall be based on

1 the square footage of the business's cultivation site space during the quarter and the rate shall be
2 25% of the applicable annual rate. For all other cannabis businesses activities, the tax due for
3 each calendar quarter shall be based on the gross receipts for the quarter. Each person owing a
4 commercial cannabis business tax, and each person on whom a zero percent tax rate is
5 imposed, shall, on or before the last day of the month following the close of each fiscal year
6 quarter, prepare and submit a tax statement remitting to the Treasurer-Tax Collector the tax
7 due. The tax due shall be no less than the quarterly installment due, but the taxpayer may at any
8 time pay the tax due for the entire fiscal year. Each business shall pay on or before the last day
9 of the month following the close of each calendar quarter.

10 B. All tax statements shall be completed on forms prescribed by the Tax Administrator and
11 approved by the Treasurer-Tax Collector.

12 C. Tax statements and payments for all outstanding taxes owed the county are immediately due
13 to the Treasurer-Tax Collector upon cessation of business for any reason.

14 D. The Treasurer-Tax Collector may, at his or her discretion, establish shorter report and
15 payment periods for any taxpayer as deemed necessary to ensure collection of the tax. The
16 Treasurer-Tax Collector may also require that a deposit, to be applied against the taxes for a
17 calendar quarter, be made by a taxpayer at the beginning that calendar quarter. In no event
18 shall the deposit required exceed the tax amount he or she projects will be owed by the
19 taxpayer for the calendar quarter. The Treasurer-Tax Collector may require that a taxpayer
20 make payments via a cashier's check, money order, wire transfer, or similar instrument.

21 Sec. 18-67. Timely Remittance of Tax Payments.

22 Whenever any payment, statement, report, request or other communication is due, it must be
23 received by the Treasurer-Tax Collector on or before the final due date. A postmark will not
24 be accepted as timely remittance. If the due date would fall on a Saturday, Sunday or a holiday,
25 the due date shall be the next regular business day on which the County is open to the public.
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