



Legislation Details (With Text)

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On agenda: 1/25/2022 **Final action:**
Title: Consideration of Resolution Requesting State Cannabis Cultivation Tax Reform
Sponsors: Administrative Office
Indexes:
Code sections:
Attachments: 1. Reso_State Cannabis Cultivation Tax Reform

Date	Ver.	Action By	Action	Result
1/25/2022	1	BOARD OF SUPERVISORS		

Memorandum

Date: January 25, 2022
To: The Honorable Lake County Board of Supervisors
From: Carol J. Huchingson, County Administrative Officer
Subject: Consideration of Resolution Requesting State Cannabis Cultivation Tax Reform

Executive Summary:

Over the past year, the price of cannabis in the legal market has dropped considerably, which has caused widespread concern throughout the industry at both the state and local level. The State imposes a tax at two different levels, with a 15% excise tax on retail sales and a cultivation tax that is charged by the ounce.

As an example, the State cultivation tax equates to \$161.28 per pound for dry flower, so as the price of cannabis has fallen that tax is consuming an increasingly disproportionate amount of a cultivator's gross receipts. Depending on the particular price of the cannabis, this cost can be upwards of 30%. Many cultivators have expressed concern that this State tax could erode their margins to the point that their businesses may not be able to survive.

There has been interest expressed in reforming the State's cannabis tax structure by both the Governor and legislators. Local industry groups have distributed a resolution in support of these efforts to local jurisdictions, specifically to support the elimination of the State cultivation tax.

A copy of this resolution is before your Board for its consideration.

If not budgeted, fill in the blanks below only:

Estimated Cost: _____ Amount Budgeted: _____ Additional Requested: _____ Future Annual Cost: _____

Consistency with Vision 2028 (check all that apply):

☐ Not applicable

- ☐ Well-being of Residents
- ☒ Economic Development
- ☐ Community Collaboration

- ☐ Public Safety
- ☐ Infrastructure
- ☒ Business Process Efficiency

- ☐ Disaster Prevention, Preparedness, Recovery
- ☐ County Workforce
- ☐ Clear Lake

Recommended Action: Adopt Resolution Requesting State Cannabis Cultivation Tax Reform.