



Legislation Text

File #: 22-26, Version: 1

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

- | | | |
|--|---|--|
| <input type="checkbox"/> Well-being of Residents | <input type="checkbox"/> Public Safety | <input type="checkbox"/> Disaster Prevention, Preparedness, Recovery |
| <input checked="" type="checkbox"/> Economic Development | <input type="checkbox"/> Infrastructure | <input type="checkbox"/> County Workforce |
| <input type="checkbox"/> Community Collaboration | <input checked="" type="checkbox"/> Business Process Efficiency | <input type="checkbox"/> Clear Lake |

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