

# COMMERCIAL CANNABIS TAX

On November 6, 2018, the County’s Commercial Cannabis Business Tax will appear on the ballot. The proposed special tax will fund early childhood education, public health and safety, drug prevention, and the enforcement of cannabis laws by taxing all medical and adult-use (non-medical) commercial cannabis business activity in the unincorporated areas of San Joaquin County.

If the tax passes, all types of medical and adult-use commercial cannabis businesses except outdoor cultivation and cannabis events will be allowed in the County. To operate, each business will have to have a State cannabis license, a County Cannabis License, and go through a public hearing process.



Funds from the Tax will provide the County a stable, long-term funding source for the essential services like early childhood education, childhood literacy, other programs for children and youth. It will also ensure that the County has sufficient funds for strict enforcement of cannabis laws, drug prevention, and public health and safety.

The Tax rate will be between 3.5% and 8% of gross receipts plus a \$2.00 per Square Footage Payment for cultivators that will be credited back at time of payment of taxes on the gross receipts. The County estimates the annual tax revenue will be \$2,302,750 if the tax rate is 5% and the County approves 20 licensees.

The special Tax revenue will be placed into a special fund that will be allocated as follows:



During the initial tax year, 30% of funds will be allocated to youth education and childhood programs. The remaining 70% will be allocated for public health, safety, and enforcement focused on reducing illegal activity.

Childhood program funding will increase by 5% each year until year five when Tax revenues will be divided equally between childhood programs and public health, safety, and enforcement.

# FREQUENTLY ASKED QUESTIONS

## ON THE COMMERCIAL CANNABIS BUSINESS TAX

### What is the County's Commercial Cannabis Business Tax?

A proposed special tax to fund early childhood education, public health and safety, drug prevention, and the enforcement of cannabis laws by taxing all medical and adult-use (non-medical) commercial cannabis business activity in the unincorporated areas of San Joaquin County.

The Tax will appear on the November 6, 2018, ballot as Measure B and will only become operative if it is approved by a 2/3s majority vote.

### What Commercial Cannabis Businesses will be allowed in the County if the Tax passes?

All types of medical and adult-use commercial cannabis businesses will be allowed in the unincorporated County except outdoor cultivation and cannabis events.

### What cannabis activities are subject to the Commercial Cannabis Business Tax?

All medical and adult-use commercial cannabis activities including cultivating, distribution, manufacturing, storing, testing, and selling cannabis.

### What is the purpose of the Commercial Cannabis Business Tax?

To impose a tax on all commercial cannabis activities to ensure that there are sufficient funds to enforce cannabis laws and to provide a stable, long-term funding source for essential services like early childhood education, childhood literacy, other programs for children and youth, public health, public safety, enforcement of cannabis laws, and drug prevention.

### What are the proposed tax rates under the Commercial Cannabis Business Tax?

The tax rate will be set by the Board of Supervisors between 3.5% to 8% on gross receipts of all commercial cannabis business activity. Cultivators (excluding nurseries) will also be required to pay a Square Footage Payment of \$2.00 per s/f of cannabis cultivation that will be credited back upon collection of the tax on gross receipts.

### What are "gross receipts" under the Commercial Cannabis Business Tax?

The total amount of value actually received or receivable from all sales or service.

### How is the square footage of cannabis cultivation space calculated?

The Square Footage Payment is calculated based on the "Cultivation Area," which is the area of cultivation authorized by the County Cannabis Business license without deducting for unutilized square footage.

### What are the estimated revenue projections from the Commercial Cannabis Business Tax?

Based on a 2017 Fiscal Analysis of the Potential Commercial Cannabis Industry in San Joaquin County the total estimated annual tax revenue is \$2,302,750. This is based on an assumed tax rate of 5% on 9 non-cultivation businesses and 11 cultivation sites utilizing the maximum allowed square footage.

### How will revenue from the Commercial Cannabis Business Tax be allocated?

Tax funds will be placed in a special fund that can only be used in two ways; to fund "early childhood education and other programs for children and youth, such as childhood literacy, gang reduction, after-school programs and drug prevention programs" or to fund "public health, public safety, and cannabis enforcement"

The first year, 30% of the funds will go to the childhood programs and 70% to cannabis enforcement. The funds to the childhood programs will increase by 5% each year until year five. The fifth year and each succeeding year the funds will be evenly split between youth programs and enforcement.

### How can we be sure the funds will be allocated as promised in the Tax?

A Special Tax Oversight Committee including experts in the areas of youth programs and enforcement will provide an Annual Review Report and recommendations to the Board of Supervisors regarding allocation of the Tax funds. The county cannot change the types of programs the Tax revenue may be spent without a vote of the people.

### Will medical cannabis be exempt from the Commercial Cannabis Business Tax?

No, the Commercial Cannabis Business Tax applies to all medical and non-medical commercial cannabis business activity. However, consumer purchases of medical cannabis are exempt from the State cannabis tax.