

Fiscal Impact Analysis by City Finance Director

Measure I

Measure I, if approved by the voters, would amend the Santa Cruz Municipal Code imposing a cannabis business tax on cannabis (medical marijuana) businesses operating in the City. The measure would provide for minor, non-substantive changes designed to clarify the terms of the existing ordinance and conform to recent changes in state law, this measure would expand the definition of “cannabis business” or “medical marijuana business” to include “production” and “cultivating” to the list of activities subject to taxation.

Use of the Funds. The cannabis business tax revenue would continue to be held in the City’s General Fund and is used solely for primary support services that include Police, Fire, Public Works, Parks & Recreation, community programs and other essential services.

Fiscal Impact. The fiscal impact of this ballot measure is expected to have a minimal increase in taxable sales at best; generating less than \$3,000 annually in additional taxes. The current seven (7) percent rate on the gross receipts would be expanded to include any “production” and “cultivation” activities. But the current Municipal Code would remain unchanged and any production or cultivation would only be allowed as part of the in-house operations of the two allowed dispensaries and it would prohibit any external, stand-alone cultivation within the city limits. Any business to business sales of cannabis are expected to be modest given the production and cultivation limitations (cost of land and lease space within Santa Cruz and the legal limitations on production and cultivation) and not expected to exceed 1% of total sales.

This measure is not expected to add any significant amount of new administrative costs.

Accountability. The City’s Finance Director is the tax administrator, and has the authority to examine the books and records of the cannabis businesses to verify the accuracy of the statement of gross receipts that was filed and the business tax computed thereon. The Finance Director also has the authority to issue an assessment to a cannabis business for the estimated amount of tax owed if a statement is not filed and a tax is not paid by the business.

Marcus A Pimentel
Finance Director
City of Santa Cruz



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