

IMPARTIAL ANALYSIS BY CITY ATTORNEY –
CANNABIS BUSINESS TAX ORDINANCE AMENDMENT
MEASURE I

In November of 2014 the voters, by an 82% majority, approved a ballot measure amending the Santa Cruz Municipal Code to impose a cannabis business tax on cannabis (marijuana) businesses operating in the City. The ordinance authorizes the City Council to set a maximum tax rate of ten percent (10%) of gross receipts but sets the initial tax rate at seven percent (7%). The ordinance broadly defines "cannabis business" to include any for-profit or nonprofit business that distributes, delivers, dispenses, exchanges, barter or sells either medical or non-medical cannabis and includes, but is not limited to, medical marijuana cooperatives and businesses, and any other business which transports, manufactures, compounds, converts, processes, prepares, stores, packages, sells at wholesale, or sells at retail, cannabis or products made of cannabis. The tax is a gross receipts tax imposed on cannabis businesses and is not a sales tax imposed on qualified patients, primary caregivers or other persons who purchase or otherwise acquire cannabis for their personal use. The cannabis business tax is a "general tax" as defined by the California Constitution. As such, all revenue it generates is deposited in the City's General Fund, which is used by the City to pay for the provision of municipal services to City residents and visitors including the provision of such services as police, fire, emergency response, parks, street maintenance and pothole repair, libraries, youth and senior programs, economic development and job creation, affordable housing, and other essential city services.

In addition to minor, non-substantive changes designed to clarify the terms of the cannabis business tax ordinance, this measure would:

1. Amend the definition of "cannabis" to conform to recent changes in state law;
2. Amend the definition of "cannabis business" or "medical marijuana business" to add "production" and "cultivating" to the list of activities subject to taxation; and
3. Clarify the process for a successor owner or operator of a business subject to the tax to obtain verification from the City that all outstanding taxes owed under the cannabis business tax ordinance have been paid and that, therefore, the successor owner or operator will not be liable for any such outstanding tax payments.

This ballot measure has been placed on the ballot by the Santa Cruz City Council. It requires a simple majority to pass.


Tony Condotti
City Attorney