



General Government Committee
501 Low Gap Road
Ukiah, CA 95482

February 27, 2023

Item 2d) Discussion and Possible Action Including a Recommendation to the Board Regarding Applicant Notification of a Previously Approved Cannabis Business Tax Reduction, Establishment of a Cannabis Business Tax Penalty and Interest Amnesty Program, and a Prior Year Cannabis Business Tax Payment Plan (Sponsor: Supervisor Mulheren)¹

Honorable Supervisors,

We sincerely appreciate this item being brought forward to address several significant challenges being faced by our locally licensed operators. On November 8, 2022 MCA submitted a memo² to the BoS calling for many of the items now included for consideration today. We see the goal of cannabis tax reform in Mendocino as serving many purposes at this critical time, including reprioritizing licensed operators in advance of critical state deadlines, keeping licensed operators in the regulated market, making sure their permit and equity application reviews are underway, and creating a more stable environment in which our small businesses can weather the current market downturn while continuing to contribute to the overall health of the County.

We fully support implementation of a Cannabis Business Tax Penalty and Interest Amnesty Program (Amnesty Program) for licensees who have fallen into arrears on payments from 2019 to today as they attempt to remain in the regulated market. We recommend this program operate at least through 2025, along with the proposed minimum tax reduction, at which time regulatory and market conditions can be reevaluated to determine a sustainable path forward for both licensed operators and the County. The enormous compliance expenditures in obtaining State annual licensure (CEQA, Lake & Streambed Alteration Agreements, building, septic, and ADA building permit requirements, etc.) before the end of the Provisional licensing system concurrent with the dramatic drop in cannabis pricing and sales necessitate a slightly longer relief period.

We appreciate the inclusion of a 50% reduction of the minimum tax for calendar years 2022-2023 and 2024-2025. In our memo of November 8, 2022 cited above we requested a

¹ Agenda Materials

<https://mendocino.legistar.com/LegislationDetail.aspx?ID=6040357&GUID=22D07A04-78F6-4D41-9C39-404279997000&Options=&Search=&FullText=1>

² 11-08-2022 MCA Memo Re: Local Tax Relief

<https://drive.google.com/file/d/14eI8SKcobOfULk08VHT8cNkA82D-l0aA/view?usp=sharing>

complete suspension of the minimum cannabis tax, and while that would certainly be our preference, we understand compromise is necessary in policy development. The recommendations in this agenda item are absolutely steps in the right direction, and we support the 50% reduction proposed. We would further recommend simultaneous direction to the TTC, and if necessary, to County Counsel, to provide waivers or partial waivers due to reduced or no sales, or crop loss, for cultivators who otherwise, under this program, would still be required to pay a minimum tax.

Regarding the proposed Prior Year Cannabis Business Tax Payment Plan for tax years 2019-2022, we request that the payment schedule be adjusted to 25% per year over a 4 year period. We further recommend that upon agreement to participate in a Payment Plan any operator currently identified as 'Deprioritized' immediately be 'Reprioritized' and factored into MCD's plans for application review. Due to rapidly approaching state deadlines, if the Plan will take time to develop and implement it may be necessary to provide a simple affidavit for licensees to sign indicating that they will participate in a Payment Plan as soon as it is available to expedite 'Reprioritization.' The development of this program should also make clear that participating applicants have full access to any and all active grant programs, including LEEP eligibility and LJAGP funding.

We strongly suggest that the GGC recommendation for this program to the Board also include the adoption of a General Cannabis Business Tax Payment Plan for at least the next two tax years, which would provide the same payment plan opportunity to licensees who, due to current market and regulatory challenges, are unable to remit their full minimum cannabis tax upon true up.

Finally, we request that the following items from the November 8 memo also be included in the recommendation to the Board:

- Levy cannabis taxes on amount of canopy grown as opposed to permit size; and
- Work with stakeholders to sponsor an ordinance change to the Tax Code that would base cultivation taxes on Gross Receipts with no guaranteed minimum.

Thank you for taking the time to look into these items of concern. We appreciate your consideration of our recommendations.

Sincerely,

Mendocino Cannabis Alliance
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