

Cannabis Business Tax



CITY *of* CALABASAS

City Council, July 15, 2020

General Cannabis Business Tax

- Proposed tax is a gross receipts general tax adding Article 7, Cannabis Business General Tax to the Calabasas Municipal Code
- If approved by a majority of voters, the tax imposes a gross receipts tax on transporting, dispensing, manufacturing, producing, processing, preparing, storing, testing, providing, donating, selling, delivering, distributing, or testing cannabis or cannabis products by commercial cannabis businesses
- The tax would be imposed on gross receipts of commercial cannabis business up to a maximum of ten percent with rates set by the City Council
- Revenue for the tax may be used for any general fund purposes

Proposed Ballot Label

Shall the measure imposing a City of Calabasas cannabis business tax of up to 10% of gross receipts of cannabis businesses operating in the City, including deliveries, raising approximately \$10,000 each year until voters decide otherwise, with additional revenue expected if the state or City allow cannabis dispensaries to operate in the City, to fund general City services, including public safety, roads and transportation, and parks and recreation purposes, be adopted?

Timing

- Resolution must be adopted by August 7, 2020.
- To pull the measure off the ballot after submitting it, Council must do so by August 12, 2020 or 83 days before the election.
- Elections Code section 10229 – If two or fewer persons are nominated by the end of the nomination period for the two City Council seats up for election, then the City Council may cancel the election.
- If two or fewer people are nominated, the window to cancel opens five days after the close of nominations on August 7, 2020 (if both incumbents file nomination papers) or August 12, 2020 (if any incumbent does not file) and closes 75 days before the election on August 20, 2020. [NB: a Special Council meeting is needed.]
- Elections Code 10229(c) - a City election may not be cancelled if a City measure has qualified for the ballot.

Fiscal Impacts

- Based on data from the March 3, 2020 primary election, the estimated cost of the election and printing of a supplemental voter guide will be approximately \$103,000
- Revenue projections for the tax are estimated to be:
 - If current law is maintained and no cannabis businesses operate in the City: no more than \$10,000 from taxes on deliveries into the City
 - If storefront dispensaries are eventually allowed to operate in the City, by Council action or state law: up to \$300,000 in annual revenue, per dispensary, based on an estimated gross receipts of \$3 million for the store and a 10 percent tax rate.

Resolution Timing Options

- To keep the cannabis tax on the ballot, period- see Option 1 in Section 9 of Resolution – takes effect now.
- Option 1 also prevents cancellation of the election.
- Option 2 - Alternatively Council may adopt Option 2 of Section 9 – sets a conditional effective date:
 - If three or more persons are nominated for Council at the final close of nominations, then the tax goes to the voters.
 - If two or fewer persons are nominated for Council at the final close of nominations, then the tax will not go to the voters, automatically - allowing, but not requiring, the Council to cancel the election and appoint the persons nominated to Council.