

FISCAL IMPACT STATEMENT

Mono County Cannabis Business Tax

Measure D

The Mono County Finance Department has prepared the following fiscal impact analysis of the proposed Cannabis Business Tax (CBT).

Fiscal Impact from County Finance Director:

This measure would authorize the County of Mono to add Chapter 3.30 to the County Code, imposing a business tax on each person engaged in a cannabis business, including cultivation, processing, manufacturing, distribution and sale, in the unincorporated area of the County. The tax, if approved by voters, is effective beginning July 1, 2018.

Approval of this measure would establish a square footage canopy tax for cultivators and a gross receipts tax for all other operators including testing laboratories, retailers, dispensaries, distributors, manufacturers, processors, and microbusinesses. The measure sets the canopy tax at an initial rate per square foot of canopy allowed by the approved permit between 50 cents to \$2.00 per square foot, depending on whether plants are cultivated outside without an enclosure or inside within an enclosure and the type of lighting in use. The initial rate for the gross receipts tax is set between 1% and 4%, depending on the type of license. The measure sets maximum rates of \$1.00 to \$3.00 per square foot for cultivators and 2.5% to 8% for all other license types. The County Board of Supervisors would have the authority to adjust the rate by resolution or ordinance. Beginning July 1, 2021, the maximum rates in this measure are indexed for inflation.

This ballot measure estimates increasing General Fund revenue from the tax, with these revenues paying for increased General Fund expenditures incurred for administrative costs related to tax collection and additional costs in law enforcement, public health, emergency services and code enforcement associated with the new cannabis industry. The amount of tax revenues, as well as the additional costs, is uncertain because the number of permitted businesses, the size of each cultivator, the amount of gross receipts each business might generate, and the level of additional County services needed is mostly unknown. Several factors influence the amount of revenues including the number and type of licenses issued, the demand for and price of cannabis. If eight operators are permitted, we estimate revenues from this measure may range from \$143,000 to \$330,000. We estimate administrative costs of at least \$20,000, the addition of at least 1.5 new employment positions and costs of additional County services at least \$210,000. If this tax measure does not pass, these costs would be paid for with County tax revenues paid by the existing taxpayers in Mono County.