

Yolo County Cannabis Tax Measure

DECEMBER 12, 2017



Recommended Tax Framework

General or Special Tax	Area of Tax	Affected Activity	Rate and Mechanism of Tax	Estimated Revenue Generated by Tax
General	Unincorporated Area	Cultivation	1-15% with an initial rate of 4% of gross receipts effective July 1, 2018 and increasing to 5% effective July 1, 2020	\$3-10m annually
		All other commercial activities	1-15% with an initial rate of 5% of gross receipts effective July 1, 2018	Unknown

- The Board would have discretion to set the rate within the previously described range, but the Board could not alter the rate more than once in a 12 month period or by more than two percentage points.



Cumulative Tax Rate @ \$1000/lb 5% County, 5% Retail

Category	Amount	Increase	Cumulative Price
Producer Price	\$1000/lb	\$1,000	\$1,000
Annual Fees	\$10/lb	\$10	\$1,010
State Cultivation Tax	\$9.25/oz	\$148	\$1,158
County Tax	5%	\$50	\$1,208
	\$50/lb		
Batch Testing	+0.50%	\$55	\$1,263
Wholesale Price/ Taxes		\$1,263	
Tax at Wholesale		\$263	
Tax as %		26%	
Distributor Markup	30%	\$379	\$1,642
Local Distribution Tax	5%	\$82	\$1,724
Total Distributor Price		\$1,724	
Total Taxes at Distributor		\$345	
Total Tax as %		20%	
Retail Markup	100%	\$1,724	\$3,448
Local Retail Tax	5%	\$172	\$3,620
State Excise Tax	15%	\$517	\$4,138
Total Retailer Price		\$4,138	
Total Taxes at Retail		\$1,035	
Total Tax as %		25%	

Cumulative Tax Rate @ \$500/lb, 5% County, 5% Retail

Category	Amount	Increase	Cumulative Price
Producer Price	\$500/lb	\$500	\$500
Annual Fees	\$10/lb	\$10	\$510
State Cultivation Tax	\$9.25/oz	\$148	\$658
County Tax	5%	\$25	\$683
	\$50/lb		
Batch Testing	+0.50%	\$53	\$736
Wholesale Price/ Taxes		\$736	
Tax at Wholesale		\$236	
Tax as %		47%	
Distributor Markup	30%	\$221	\$956
Local Distribution Tax	5%	\$48	\$1,004
Total Distributor Price		\$1,004	
Total Taxes at Distributor		\$283	
Total Tax as %		28%	
Retail Markup	100%	\$1,004	\$2,008
Local Retail Tax	5%	\$100	\$2,108
State Excise Tax	15%	\$301	\$2,409
Total Retailer Price		\$2,409	
Total Taxes at Retail		\$685	
Total Tax as %		28%	

Needs Assessment

- Staff previously stated that in order to address the impacts of cannabis consumption and provide a net public benefit tax revenues would need to be in the range of \$5-10 million.
- Staff estimates current cannabis related needs at approximately \$5-6 million, however this estimate is preliminary
- This amount is informed by outreach staff conducted to County departments and other public service agencies including:
 - District Attorney
 - Sheriff
 - Agriculture Department
 - Health and Human Services Agency
 - County Counsel
 - First Five Yolo
 - School Districts



Next Steps

- Pending Board direction, staff anticipates returning to the Board on January 9 for first reading of the ordinance
- Ordinance second reading: January 23
- 4/5ths vote is required to place a general tax ordinance on the ballot
- 3/5ths vote is required to place a special tax ordinance on the ballot
 - A special tax would also require an expenditure plan, which could be as straightforward as holding all of the cannabis tax revenue in a special fund that could then be allocated by the Board for the purposes of addressing the impacts of cannabis and providing net public benefit
- Beyond the tax measure, cultivator representatives expressed an interest in the Board considering multi-year permits and other permit categories. Staff recommends the Board consider these issues in a future workshop in early 2018

