

# Cannabis Business Tax

MEASURE F-18



## BACKGROUND

California Voters passed Proposition 64 (Adult Use of Marijuana Act) in November 2016. It was approved by 67% of voters in the City of San Luis Obispo. Since then, City staff has engaged with the community to develop a land use ordinance that establishes standards and regulations for cannabis cultivation and permitted cannabis business activities in the City. The **ordinance** was approved by the City Council in May 2018. It includes a provision that cannabis business operations will not be allowed in the City until a cannabis business tax is approved by voters.

## What is the Cannabis Business Tax (Measure F-18)?

The proposed general-purpose tax would include a combination of the two most common tax structures implemented throughout the State:

- Gross receipts tax of up to 10%; and
- Cultivation tax of up to \$10 per canopy square foot

Gross receipts, or excise taxes, are assessed at every stage of cannabis production within the City including testing, retail sales, distribution and manufacturing. Cultivation taxes are based on the size of the canopy or license issued by the State.

## How will the money from the tax be spent?

The general-purpose tax would go to the General Fund and could be used for any City project, service or operation, as directed by the City Council.

The proposed business tax could raise approximately \$1.5M annually and would be in effect until ended by voters.

## How will the cannabis industry be regulated in the City?

The specific locations of cannabis businesses within the City is still under review. Staff is proposing Overlay Areas that will be presented to the Planning Commission and the City Council for feedback from the public and advisory bodies with final review being made by the City Council.

## What happens if Measure F-18 is not passed?

No land use or operator permits will be issued, and no commercial cannabis business operations will be allowed in the City unless and until voters approve a cannabis revenue measure. Measure F-18 is a general tax and must be passed by a majority vote.

Additional information and meeting notices available at: [slocity.org/cannabis](https://slocity.org/cannabis)