

This measure would update and replace the existing tax on cannabis in the City of Palm Springs in connection with a new City ordinance regulating cannabis businesses. Now, the only cannabis tax paid in the City comes from "collectives." On July 26, 2017, the City Council unanimously adopted a new cannabis ordinance reflecting changes in state law. The new ordinance updates the municipal code sections that cover medical cannabis businesses in the City beyond these collectives. The ordinance also applies to new adult-use cannabis businesses that open. This measure's updated tax is linked to this new ordinance; the City will issue permits under this new ordinance if this tax measure is approved by the voters. A simple majority of voters, *i.e.*, more than 50%, must approve this tax before it can take effect.

All cannabis taxes under this measure would be paid monthly. This measure would extend the maximum 15% tax rate on collectives' gross receipts to all cannabis businesses, with the exception of cultivation (grows), taxed separately. This is not a sales tax. Consumers will not pay this tax, cannabis businesses will. Its rate may vary depending upon the kind of cannabis business taxed. Even though the maximum rate on collectives is 15%, the current rate paid is 10%. Like the tax on collectives, under this measure the Council would set and adjust the gross receipts tax rate by resolution. This measure would tax cultivation at a rate up to \$10.00 per square foot of grow area, adjustable yearly.

Under this measure, cannabis businesses would annually register, and pay a registration fee. Payment of tax and registration alone would not allow a cannabis business to operate; a business must have a permit issued under the July 26, 2017 ordinance.

The money from this tax would go in the City's general fund, and could be used for any City purpose, including: fire and police protection, paramedic service, street, park and public facility cleaning, repair and maintenance, police and fire equipment, and other public needs identified by the Council. Public needs would include coverage of City costs that relate to cannabis business, but can't be recovered through permit or registration fees (such as community programs, like drug education or prevention).

The tax will be subject to an annual review through a public and independent audit. A certified public accounting firm with expertise in California municipal finance will perform the audit, including an analysis of the City's cannabis tax receipts, and how they are spent. The Council must post the audit report on the City's website, and discuss its results at a public meeting.



8/21/17

Edward Z. Kotkin, August 21, 2017
Palm Springs City Attorney

The above is an impartial analysis of Measure E. A complete copy of the tax ordinance appears on the City's website at www.palmspringsca.gov. If you want a copy of the ordinance, please call (760) 323-8204 and a copy will be mailed at no cost to you.