



## CITY COUNCIL STAFF REPORT

DATE: ~~June 4, 2011~~ Cont. to 6-15-11

New Business 5A

DISCUSSION ON THE LOCAL TAXATION OF MEDICAL CANNABIS  
COOPERATIVES AND COLLECTIVES

FROM: David H. Ready, City Manager

BY: Douglas Holland, City Attorney

---

Attached for your reference is a chart that shows how other local jurisdictions in the state have imposed taxes on marijuana businesses. The tax rates are typically treated as "business taxes" or "license taxes" and are assessed as a percentage of gross receipts. Each program has been approved by the voters as a new tax, consistent with the provisions of Proposition 218.

---

Douglas Holland, City Attorney

ITEM NO. 5A

City	Section	Approach	Rates
San Jose	4.66	<p>Business tax on marijuana "business", which is defined as business activity regardless of profit (so it applies to nonprofits as well).</p> <p>Monthly payment required.</p> <p>Tax does not distinguish between medical and non-medical use.</p>	<p>Tax rate not to exceed 10%. Currently set at 7% of gross receipts. 4.66.250</p>
Berkeley	9.04.136	<p>Annual business tax on medical and non-medical marijuana businesses.</p> <p>Exempts registered non-profit organizations.</p>	<p>Currently at 2.5% (\$25 per \$1000) of gross receipts. 9.04.136(A)(2).</p>
Long Beach	3.80.260	<p>Annual business tax on medical and non-medical marijuana businesses and suppliers of marijuana.</p> <p>Exempts registered non-profit or religious organizations from all taxes except for 3.80.260(B)(3).</p>	<p>15% (\$150 per \$1000) of gross receipts for businesses. 3.80.260(B)(1).</p> <p>\$25.00 per square foot on all improvements owned, rented, lease or occupied or used by a for-profit cultivation facility or growth site. 3.80.260(B)(2).</p> <p>\$10 per square foot similar to the above, if cultivation facility or growth site is a non-profit. 3.80.260(B)(3).</p> <p>The minimum tax is \$1000 annually. 3.80.260(B)(4).</p>
Los Angeles	21.50	<p>Requires a business permit for all medical marijuana collectives.</p>	<p>5% (\$50 of \$1000 or fraction of \$1000) of gross receipts. 21.50(b).</p>
Rancho Cordova	3.80	<p>Annual business tax for those operating a marijuana business.</p> <p>Rate is a sliding scale depending on amount of gross receipts and whether organization is for profit or non-profit. 3.80.040.</p> <p>No exemption for non-profits.</p>	<p>12% (\$120 per \$1000) if gross receipts are 1 million or less. 3.80.040(A).</p> <p>15% (\$150 per \$1000) rate applies if to the amount exceeding 1million dollars. 3.80.040(B).</p> <p>Nonprofits must pay \$100 per square foot on all business improvements. 3.80.040(C).</p>

	3.85	Requires registration of cannabis cultivators and payment of an annual tax based on square footage.  No exemption for non-profits.	Indoor Cultivation – if less than 25 square feet, \$600/sq feet. if more than 25 sq ft, then \$900/sq feet. 3.85(A)(1).  Outdoor Cultivation - if less than 25 square feet, \$600/12.5 sq feet. if more than 25 sq ft, then \$900/12.5 sq feet. 3.85(A)(2).
Richmond	7.04.139	Requires any person engaged in business to pay an annual license tax, payable in advance in the beginning of the year.  No exemption for non-profits.	10% (\$100 for each \$1000)
Sacramento	3.08.205	Requires any person engaged in business to pay an annual license tax.  No exemption for non-profits.	4% of each dollar of gross receipts.
Stockton	5.98	Requires any person engaged in business to pay an annual license tax.  No exemption for non-profits.	2.5% (\$25 for each \$1000) 5.98.030(a).