

**From:** [Angela Bacca](#)  
**To:** [Haddon, Stacey](#)  
**Subject:** Opposition to increased cannabis taxes  
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I grew up here in Lompoc and left as soon as I finished high school because it was clear to me there was very little professional opportunity to be had here. I spent 10 years between San Francisco and Oakland where I earned my BA in journalism and an MBA with a focus on marketing and economics. During this same time I worked as a book and magazine editor and director exclusively for the cannabis industry starting around 2006-2007. I was at the center of all the new industry being developed in the Bay Area in the lead up to the Proposition 19 campaign in 2010. I am also a patient with chronic illness who has a deep personal stake in how the industry rolls out. I recently moved back to Lompoc because I was so excited to see my hometown doing this right, as compared to the other communities I have covered around the world over the last 15 years. ***I am incredibly concerned about the actions this city council is taking that could destroy our progress and push people like me back out of town.***

I have since spent an additional 5 years advising lawmaking and advocacy in various states, directly to lawmakers in Oregon and Utah, and at smaller municipal levels throughout California, Missouri and Oklahoma, among others.

I am writing to oppose any new taxes on the industry and to discourage the waste of funds for a local 10-person staff of “oversight”.

Let’s address the “oversight” situation first:

- Cannabis is one of the most heavily regulated industries in the world. Due to the very nature of the conflict between state and federal laws, every state’s laws call for HEAVY oversight in order to remain in compliance with the Cole Memo (2013). California was not the first state to legalize cannabis, and as such built in additional oversight than some of the earliest states to legalize.
- The state has funded a brand new agency called the California Bureau of Cannabis Control. Our state taxes already pay for oversight of the industry.
- There is no provision within state law or Lompoc’s local ordinance that requires any special oversight of the industry compared with any other industry we have in town. Why is there not a funded wine/alcohol oversight division? Why is there not a funded hotel oversight division? I challenge the city council members who support such an oversight to answer this question before spending the \$1 million in taxes the city brought in last year on 10 new jobs for “oversight” when the plea to the public on these taxes was funding police and parks.

Now, to the taxes:

- Not every city or state has had the same success at bringing in these new businesses. In California under Proposition 64, municipalities have local control over the industry. As such, large portions of the state have banned commercial cannabis activity outright. Those that have allowed it have implemented very heavy taxes and very high barriers to entry, including taxes and fees. As such, they have not seen the same growth that Lompoc has with the industry.
- Saying that “other cities are doing it” is a poor argument to support taxes. Yes, they are doing it! And that is why these larger businesses have come here and not there. Surely, it is not our major population center (we don’t have one) or convenient location off a major highway or interstate (we aren’t) that has brought the businesses in: it has been the free market and lower barriers to entry. One of the biggest issues in the cannabis industry right now has been a lack of diversity in business ownership. This has largely been a result of overregulation -- when you cap licenses, increase fees, and otherwise raise barriers to entry, you prevent small community owned businesses from having a chance at all to compete.
- The industry is already incredibly overtaxed. You may not be familiar with the layers of state and federal taxation so let me break it down: Cannabis is a Schedule I controlled substance at the federal level, meaning it is completely illegal. As such, all cannabis operators in all states are subject to federal tax code 280E, which was used to go after Al Capone and other illegal drug operations. This means that like any other business, cannabis businesses cannot write off their cost of goods sold when filing to pay federal taxes, therefore imposing a large federal tax other businesses are not subject to-- right off the bat.
- The State of California has one of the HIGHEST tax rates in the nation for legal cannabis. There is a 15% sales tax at the register as well as cultivation taxes. Under Proposition 64 these taxes not only fund oversight (the Bureau of Cannabis Control) they fund grants to communities like Lompoc who have allowed the industry to operate. These grants can be used for parks and police-- we just have to apply for them!
- These tax burdens ultimately get passed to the consumer. The current 6% city sales tax is not on the dispensaries, as some political groups and council members are telling the public now, they get passed to the consumer. A manufacturing tax would also get passed to the consumer. The end result of this is a THRIVING illegal market in the state of California, and the unfortunate consequence of pushing vulnerable patients to unregulated product they can more likely afford. By overtaxing the existing

industry, the state and municipalities have already lost out on capturing a lot of the revenue that still exists underground in the cannabis industry.

- One of the arguments I have heard supporting a manufacturing tax is comparing gross revenues of these businesses to the \$30,000 fee they pay to the city. This is an incredibly deceptive argument. Here is some basic business behind this: there is a difference between gross revenues and net profits, and using gross revenues to make this comparison is completely disingenuous. Although a business may do \$10 million in gross revenues, accounting for the debt the business acquired to start up their operation, employees, equipment, and etcetera, most of these manufacturers aren't even profitable yet. It would be more accurate to compare to "net profit" which is the gross revenues minus all these expenses, which is a far smaller number.
- Finally-- I challenge the city council to explain why they aren't looking to implement a manufacturing tax on wine? Why not raise the ToT tax?

If we remove the incentives that brought these businesses here, they will leave. If we continue to incentivize them to be here, we bring more jobs into the Lompoc valley, raise property values, increase property tax revenues and support the other businesses in town through increased commercial activity here -- rather than pushing it away to Santa Maria and Santa Barbara.

The city council should not treat these businesses as a personal piggy bank or we will be left with empty storefronts again. I challenge the city councilmembers supporting this to answer my last bulleted question on this list: why haven't you attempted to tax wine or hotels instead? Why discriminate?

Angela Bacca  
415.515.7483

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