

ORDINANCE NO. 1681(21)

**An Ordinance of the People of the City of Lompoc,
County of Santa Barbara, State of California,
Amending Certain Provisions of Chapter 3.50 (Cannabis Taxes)
of the Lompoc Municipal Code to (i) Impose Tiered Taxes
on Cannabis Manufacturing and Distribution Operators,
(ii) Change How All Cannabis Taxes are Calculated and
(iii) Allow Those Taxes to be Shown on Receipts**

WHEREAS, on November 6, 2018, the Lompoc voters adopted Ordinance No. 1651(18), which amended the Lompoc Municipal Code (LMC) by adding a new Chapter 3.50, which imposes taxes, at varying rates, on all commercial cannabis activities, except testing and medical retail sales; and

WHEREAS, the City Council, based on real experiences with the City's commercial cannabis industry has determined certain changes to the tax structure adopted by the voters are in the public interest; and

[WHEREAS, the City is authorized to make such changes only with the approval by a majority of the voters voting on the issue, at an election consolidated with a regularly scheduled general election for members of the City Council, unless, by unanimous vote, the City Council determines a fiscal emergency requires that vote be held at a special election; and

WHEREAS, by Resolution No. XXXX(21) the City Council made that determination; and]

WHEREAS, the City Council finds revisions to the City's tax structure of commercial cannabis businesses and cannabis products can better generate the revenue needed by the City to ensure its citizens and visitors are safe and cannabis operations comply with the City's standards; and

WHEREAS, the City Council further finds tax revenues from commercial cannabis businesses and cannabis products to be generated by those changes can better provide funds for additional City services to protect the general health and welfare of the citizens of the City of Lompoc.

NOW, THEREFORE, THE PEOPLE OF THE CITY OF LOMPOC, CALIFORNIA DO HEREBY ORDAIN AS FOLLOWS:

SECTION 1. Section 3.50.020 of the LMC is hereby amended by renumbering current Subdivisions B.2. through B.9. to B.3. through B.10. and then by adding a new Subdivision B.2., amending newly numbered Subdivision B.4. and adding a new Subdivision B.11., thereto, all to read as follows:

2. Cultivation means the same as defined in California Business and Professions Code § 26001.

4. “Manufacturing” and “Distribution” mean the same as “Manufacture” or “Manufacturer” are defined in California Business and Professions Code § 26001, and include (i) packaging and labeling as defined in California Business and Professions Code § 26001, (ii) processing, storing, and staking of cannabis, and (iii) “Distribution” as defined in Section 9.36.020 of this code.

11. “Taxed amount” means the total revenue and moneys received from customers of a commercial cannabis activity for the products and services directly or indirectly provided by that commercial cannabis activity.

SECTION 2. Subdivisions A. B., C. and E. of Section 3.50.030 of the LMC are hereby amended to read as follows:

A. Cannabis Cultivation Tax. Every person cultivating commercial cannabis within the City, including nurseries, whether for profit or by a non-profit organization, either pursuant to this code or otherwise, and regardless of whether such operation has a valid permit pursuant to this code, shall pay an annual maximum tax of up to 1% of the taxed amount.

B. Cannabis Retail Operations Tax. Every person engaged in any commercial cannabis business for the delivery, dispensing or retail sale of cannabis or a cannabis product, whether fixed or mobile, as part of a for-profit or non-profit business within the City, either pursuant to this code or otherwise, and regardless of whether such operation has a valid permit pursuant to this code, shall pay a maximum of up to 6% of the taxed amount for non-medical cannabis transactions.

C. Cannabis Manufacturing/Distribution Tax. Every person engaged in any commercial cannabis manufacturing or distribution business, as part of a for-profit or non-profit business within the City, either pursuant to this code or otherwise, and regardless of whether such operation has a valid permit pursuant to this code, shall pay a tax in an annual amount based on the following schedule:

[Flat Tax based on the following taxed amounts

<u>Annual Taxed Amount</u>	<u>Annual Tax Due</u>
under \$2M	\$25,000
\$2M– under \$5M	\$50,000
\$5M – under \$10M	\$125,000
\$10M – under \$15M	\$250,000
\$15M – under \$25M	\$375,000
\$25M – under \$35M	\$625,000
\$35M – under \$50M	\$875,000
\$50M – under \$75M	\$1,250,000

\$75M – under \$100M	\$1,875,000
\$100M – under \$200M	\$2,500,000
\$200M – under \$300M	\$5,000,000
\$300M – under \$400M	\$7,500,000
\$400M – under \$500M	\$10,000,000
\$500M – under \$600M	\$12,500,000
\$600M – under \$700M	\$15,000,000
\$700M – under \$800M	\$17,500,000
\$800M – under \$900M	\$20,000,000
\$900M and over	\$22,500,000

OR

Graduated Tax based on the following taxed amounts:

For an operation that receives \$10 Million or less annually the tax shall be one cent per dollar.

For an operation that receives more than \$10 Million up to \$25 Million, annually, the tax shall be one and one-half cents per dollar.

For an operation that receives more than \$25 Million up to \$40 Million, annually, the tax shall be two cents per dollar.

For an operation that receives more than \$40 Million up to \$55 Million or more, annually, the tax shall be two and one-half cents per dollar.

For an operation that receives more than \$55 Million, annually, the tax shall be three cents per dollar.]

- D. Cannabis Testing. No separate tax shall be assessed for any cannabis testing business.
- E. Cannabis Microbusiness Tax. Every person engaged in any commercial cannabis microbusiness, as part of a for-profit or non-profit business within the City, either pursuant to this code or otherwise, and regardless of whether such operation has a valid permit pursuant to this code, shall pay taxes in accordance with this section based on the type of cannabis business, but up to an aggregate total of 6% of the taxed amount, not including that received for retail medical cannabis transactions.
- F. The taxes imposed by this chapter are in addition to all other applicable taxes imposed by this code, including, but not limited to, the business taxes imposed by Title 5 of this code.

SECTION 3. Section 3.50.040 of the LMC is hereby amended by amending Subdivision E., thereto, to read as follows:

- E. Even though the taxes established by this chapter are imposed upon each applicable commercial cannabis activity and not directly upon the customers, those taxes may be separately identified or otherwise specifically shown on a customer's receipt.

SECTION 4. Section 3.50.050 of the LMC is hereby amended by amending Subdivision A., thereto, to read as follows:

- A. Each person owing tax, on or before the last business day of each term, as established by the Management Services Director, shall prepare a tax return to the Management Services Director of the total proceeds and taxed amount, and the amount of tax owed for the preceding term. At the time the tax return is filed, the full amount of the tax owed for the preceding term shall be remitted to the City.

SECTION 5. Section 3.50.060 of the LMC is hereby amended by amending Subdivision D. 2., thereto, to read as follows:

- 2. The waiver provisions specified in this subsection shall not apply to interest accrued on the delinquent taxes and a waiver shall be granted only once during any 24-month period for taxation of the taxed amounts.

SECTION 6. Effective Date.

If a majority of the voters of the City of Lompoc voting at the **[special mail-in only election/general municipal election]** held on **[August 31, 2021/November 8, 2022]** vote in favor of this Ordinance, then this Ordinance shall become a valid and binding ordinance of the City of Lompoc, and shall be considered as adopted upon the date the vote is declared by the City Council of the City of Lompoc, and this Ordinance shall go into effect 10 days after that date, pursuant to Election Code section 9217.

SECTION 7. City Council Authority To Amend

This is a City Council sponsored initiative Ordinance, which otherwise would only be subject to amendment by the voters of the City of Lompoc. However, pursuant to Section 9217 of the California Elections Code, the City Council expressly reserves the right and authority to amend the Ordinance and Chapter 3.50 of the LMC to further the purposes and intent of the Ordinance (including, but not limited to, suspending or reducing any tax established herein or thereby and amendment for more efficient administration as determined by the City Council) in any manner that does not increase a tax rate, or otherwise constitute a tax increase for which voter approval is required by Article XIII C of the California Constitution.

SECTION 8. Execution.

The Mayor of the City of Lompoc is hereby authorized and ordered to attest to the adoption of the Ordinance by the voters of the City of Lompoc by signing where indicated below.

I hereby certify the foregoing Ordinance was PASSED, APPROVED and ADOPTED by the People of the City of Lompoc, California voting on **[August 31, 2021/November 8, 2022]**.

Jenelle Osborne, Mayor

ATTEST:

Stacey Haddon, City Clerk