



City Council Agenda Item

City Council Meeting Date: October 19, 2021

TO: Honorable Mayor and Members of the City Council

FROM: Jim Throop, City Manager
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Jeff Malawy, City Attorney
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SUBJECT: Adoption of Resolution No. 6457(21), Suspending Collection of Measure Q Taxes on Cannabis Manufacturing and Distribution Businesses, With the Exception of the Current Flat Tax Amounts, Until April 1, 2022

Recommendation:

Staff recommends the City Council adopt Resolution No. 6457(21) (attached), suspending the collection of Measure Q taxes on cannabis manufacturing and distribution businesses, with the exception of the current flat tax amounts, until April 1, 2022.

Background:

On September 14, 2021, the voters approved Measure Q, which among other changes to the Lompoc Municipal Code, Chapter 3.50, provides for replacing the current Cannabis Manufacturing/Distribution Tax. The City's current cannabis tax on manufacturing and distribution businesses is an annual flat tax of \$15,000.00 if net income is less than \$2,000,000.00, and \$30,000.00 if net income is \$2,000,000.00 or more.

The voters approved replacing the flat tax with a graduated tax ranging from 0.5 cents per dollar to 2.5 cents per dollar, at half-cent increments, on five levels of annual revenues ranging from \$10,000,000 or less to over \$55,000,000. Measure Q imposes taxes on cannabis manufacturing and distribution operations' annual taxed amounts as follows:

| | |
|-----------------------------------|-----------------------|
| \$10 Million or less | 0.5 cents per dollar; |
| > \$10 Million up to \$25 Million | 1.0 cent per dollar; |
| > \$25 Million up to \$40 Million | 1.5 cents per dollar; |
| > \$40 Million up to \$55 Million | 2.0 cents per dollar; |
| > \$55 Million | 2.5 cents per dollar. |

On June 1, 2021, the City Council discussed suspending the collection of Measure Q taxes until April 1, 2022, should Measure Q be adopted by the voters, in order to allow businesses time to plan and prepare for the new tax rates.

Discussion:

Resolution No. 6457(21) directs the Finance Department to suspend collection of Measure Q taxes on cannabis manufacturing and distribution businesses until April 1, 2022, with the exception that the following portion of such taxes shall continue to be collected:

\$15,000.00 annually if the business's net income is less than \$2,000,000; and
\$30,000.00 annually if the business's net income is \$2,000,000 or more.

Beginning on April 1, 2022, the Finance Department is directed to resume collection of the full amount of taxes imposed by Measure Q.

Fiscal Impact:

Suspending collection of the Measure Q tax on manufacturing and distribution businesses until April 1, 2022 forgoes five months of Measure Q revenue – an estimated \$500,000, which is based on the estimates of the possible tax collection at the time of the recent election.

Respectfully submitted,



Jim Throop, City Manager

Jeff Malawy, City Attorney

Attachment: Resolution No. 6457(21)