



A Tradition of Stewardship
A Commitment to Service

Cannabis Taxation

Overview



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Cannabis Taxation

- Types of taxes
 - Excise tax – tax on specific conduct, usually affecting a specific industry
 - Sales & Use Tax – tax on sales, generally applied to all sales
 - Other taxes – as authorized by statute or other authority
 - Taxes on cannabis include all types
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State Taxes

- Specific taxes effective Jan. 1, 2018 – apply to both medical and adult use
 - Excise tax of 15% of average market price
 - Imposed at retail sale
 - In addition to other taxes
 - Cultivation tax
 - Imposed at harvest and move from cultivator to market
 - \$9.25/ounce for flower
 - \$2.75/ounce for leaves
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State Taxes

- Sales and use taxes apply
 - Applied as with any retail item for adult use cannabis
 - Not applied to medical cannabis
 - California Cannabis Tax Fund
 - Taxes, penalties, interest, and other amounts
 - Local jurisdiction that bans cultivation (including outdoor) or retail sale not eligible for some funding
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Cannabis Tax Fund - Initial



State costs – no
dollar limit

California university
research – \$10M

CHP
driving
under
influence –
\$3M

Medicinal Cannabis
Research center – \$2M

State human
services – \$10M

Youth prevention and
treatment – 60%

Environment
restoration
– 20%

State and
local law
enforcement
– 20%



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Cannabis Tax Fund - Future

Reduced – License fees to pay for licensing agencies in 2022



State costs – no dollar limit

Eliminated – 2028

California research

Eliminated – 2022

CHP
Living under
licensure – \$3M

Increased – \$10M per year until 2022 and hold at \$50M

State human services – \$10M

Medicinal Cannabis Research center – \$2M

Youth prevention and treatment – 60%	Environment restoration – 20%	State and local law enforcement – 20%
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Local Tax Authority

- Current local sales and use taxes automatically apply to adult use cannabis
 - County tax
 - Explicit authority to tax licensees
 - Must specify activities taxed
 - Can apply to entire county or unincorporated area only
 - Voter approval likely required
 - City tax
 - No preemption of existing city tax authority
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Licensing Fees

- Follows normal process for imposing via ordinance or resolution
 - Fee study
 - Nexus to cost of providing services
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