



Local ballot measure: I

I

City of Santa Cruz Cannabis Business Tax Amendment

Ballot question

Amendment of the Cannabis Business Tax Ordinance. To protect the quality of life in the City of Santa Cruz and to fund essential city services such as police, fire, emergency response, youth and senior programs, job creation, housing, and environmental protection, shall Measure L be amended to clarify minor administrative procedures, revise the cannabis definition to conform to State law and revise the definition of cannabis business or medical marijuana business to include all cannabis businesses with all funds staying local?

Pregunta de Boleta

Enmienda de la Ordenanza del Impuesto al Cannabis Comercial. Para proteger la calidad de vida de la Ciudad de Santa Cruz y financiar servicios esenciales de la ciudad, como policía, bomberos, respuesta de emergencias, programas para jóvenes y personas mayores, generación de oportunidades laborales, viviendas y protecciones ambientales, ¿debe enmendarse la Iniciativa de Ley L para aclarar procesos administrativos menores, corregir la definición de cannabis para que se ajuste a la ley Estatal y corregir la definición de negocio de marihuana o negocio de marihuana medicinal para que incluya todos los negocios de cannabis y que todos los fondos permanezcan localmente?

What your vote means

YES	NO
A "Yes" vote is a vote to clarify the terms of the existing cannabis business tax ordinance and conform to recent changes in state law.	A "No" vote is a vote against changing the cannabis business tax ordinance.

For and against Measure I

FOR	AGAINST
<p>Rick Martinez City of Santa Cruz, Deputy Chief of Police</p> <p>Cynthia Chase Vice Mayor, City of Santa Cruz</p> <p>Robert Davis President, City of Santa Cruz Firefighters</p> <p>Leslie Conner Santa Cruz Community Health Centers</p> <p>Fred Keeley Former County Treasurer</p>	<p>Mike Boyd Taxpayer</p>



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Arguments and replies are the opinions of the authors. We print them exactly as submitted, including errors.

Argument for Measure I

VOTE YES ON MEASURE I - AMENDMENTS TO THE CANNABIS BUSINESS TAX

In 2014, City voters overwhelmingly supported the Cannabis Business Tax on cannabis businesses operating in the City of Santa Cruz. The tax did not authorize more or expanded cannabis businesses, it merely allowed the collection of tax on gross business receipts. The tax is paid by cannabis businesses, not patients or caregivers. For consistent regulation across our region, this tax is the same as in the County.

In its two years of operation, the tax has been a reasonable and effective revenue source for the City without unduly burdening cannabis businesses. Vital revenues have been raised for the City's general fund, supporting parks, public safety, environmental programs and safety net programs. All funds have stayed local to protect our neighborhoods, parks, open spaces and business districts. These new revenues have helped our City rebound from the recession, restore City services and support community programs.

Since the adoption of the tax, the State has adopted a new set of regulations. Minor amendments to the Cannabis Business Tax are now proposed to stay in alignment with State law and for consistency with the County. These amendments are basically housekeeping in nature, allowing for the more efficient administration of the tax. They adopt the State definition of cannabis and expand the definition of cannabis business to include cultivation. This allows a fair and consistent application of the tax to all aspects of cannabis business.

Measure I is a simple update to ensure fairness, consistency and easier administration of the tax. It does not increase the tax rate or increase costs to the consumer. Patients, caregivers and personal use clients will see no difference. The City Council unanimously supported the amendments.

Join us in voting YES ON MEASURE I.

Rick Martinez

City of Santa Cruz, Deputy Chief of Police

Cynthia Chase

Vice Mayor, City of Santa Cruz

Robert Davis

President, City of Santa Cruz Firefighters

Leslie Conner

Santa Cruz Community Health Centers

Fred Keeley

Former County Treasurer

No rebuttal to the argument for Measure I was filed.



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Argument against Measure I	Rebuttal Reply to argument against Measure I
<p>Proposition 215 the Compassionate Use Act of 1996 passed with 5,382,915 (55.6%) votes in favor and 4,301,960 (44.4%) against. Like other local and state measures claiming they are for legalization of marijuana, Measure I, is a fraud to repeal rather than amend the Compassionate Use Act. The Compassionate Use Act does not include any of the words “Cannabis business” or “tax”.</p> <p>Proposition 215 said “the purposes of the Compassionate Use Act of 1996 are as follows, to ensure that patients and their primary caregivers who obtain and use marijuana for medical purposes upon the recommendation of a physician are not subject to criminal prosecution or sanction. To encourage the federal and state governments to implement a plan to provide for the safe and affordable distribution of marijuana to all patients in medical need of marijuana. The purposes of this section, ‘primary caregiver’ means the individual designated by the person exempted under this section who has consistently assumed responsibility for the housing, health, or safety of that person.” Classifying “caregivers” as a “Cannabis business” stigmatizes patients’ compassionate use.</p> <p>I’m asking you as a taxpayer, voter, and as a medical marijuana patient who relies on this medicine for pain relief, please vote no on the amendment to the so-called Cannabis business tax because it discriminates against me personally and you too because the law says medical marijuana shouldn’t be taxed just like any other prescription medicine you pick up at your pharmacy has no tax.</p> <p>I filed a lawsuit against the City of Santa Cruz and County of Santa Cruz and the previous election the voters approving the tax means as a medical marijuana patient I’m a member of a political minority group who lacks the political power to overcome unlawful discrimination against me. So even if you hate me because my medicine is marijuana, every vote counts, please vote your conscious, since it helps my lawsuit.</p> <p>Mike Boyd Taxpayer</p>	<p>The assertion that Measure I would somehow “repeal” or change the Compassionate Use Act of 1996, a statewide ballot measure, is simply incorrect.</p> <p>Measure I merely proposes minor amendments to the City’s existing Cannabis Business Tax ordinance, which was passed in 2014 with 82 percent voter support. That measure provided for collection of a tax on cannabis sales, which is paid by the actual businesses, not patients, caregivers or personal users.</p> <p>The changes proposed by Measure I will ensure that the Cannabis Business Tax is implemented fairly and uniformly throughout Santa Cruz County. Adopting these common-sense amendments will merely provide for more efficient administration of the tax, including businesses that cultivate marijuana for commercial sale, and ensure that the terminology in our local ordinance is aligned with current state law.</p> <p>The City’s current Cannabis Business Tax was widely supported at the time of its passage, and has been in effect for two years without opposition. The argument against Measure I presents no coherent or credible rationale for opposing these minimal changes to the existing tax.</p> <p>Please join us in voting YES on Measure I.</p> <p>Maggie Duncan-Merrell Parks Commissioner</p> <p>JD Sotelo Retired; Neighborhood advocate</p> <p>Pamela Comstock Santa Cruz City Councilmember</p>



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Impartial analysis of Measure I

Tony Condotti, City Attorney

In November of 2014 the voters, by an 82% majority, approved a ballot measure amending the Santa Cruz Municipal Code to impose a cannabis business tax on cannabis (marijuana) businesses operating in the City. The ordinance authorizes the City Council to set a maximum tax rate of ten percent (10%) of gross receipts but sets the initial tax rate at seven percent (7%). The ordinance broadly defines "cannabis business" to include any for-profit or nonprofit business that distributes, delivers, dispenses, exchanges, barter or sells either medical or non-medical cannabis and includes, but is not limited to, medical marijuana cooperatives and businesses, and any other business which transports, manufactures, compounds, converts, processes, prepares, stores, packages, sells at wholesale, or sells at retail, cannabis or products made of cannabis. The tax is a gross receipts tax imposed on cannabis businesses and is not a sales tax imposed on qualified patients, primary caregivers or other persons who purchase or otherwise acquire cannabis for their personal use. The cannabis business tax is a "general tax" as defined by the California Constitution. As such, all revenue it generates is deposited in the City's General Fund, which is used by the City to pay for the provision of municipal services to City residents and visitors including the provision of such services as police, fire, emergency response, parks, street maintenance and pothole repair, libraries, youth and senior programs, economic development and job creation, affordable housing, and other essential city services.

In addition to minor, non-substantive changes designed to clarify the terms of the cannabis business tax ordinance, this measure would:

1. Amend the definition of "cannabis" to conform to recent changes in state law;
2. Amend the definition of "cannabis business" or "medical marijuana business" to add "production" and "cultivating" to the list of activities subject to taxation; and
3. Clarify the process for a successor owner or operator of a business subject to the tax to obtain verification from the City that all outstanding taxes owed under the cannabis business tax ordinance have been paid and that, therefore, the successor owner or operator will not be liable for any such outstanding tax payments.

This ballot measure has been placed on the ballot by the Santa Cruz City Council. It requires a simple majority to pass.

Fiscal impact statement Measure I

Marcus A Pimentel, Finance Director, City of Santa Cruz

Measure I, if approved by the voters, would amend the Santa Cruz Municipal Code imposing a cannabis business tax on cannabis (medical marijuana) businesses operating in the City. The measure would provide for minor, non-substantive changes designed to clarify the terms of the existing ordinance and conform to recent changes in state law, this measure would expand the definition of "cannabis business" or "medical marijuana business" to include "production" and "cultivating" to the list of activities subject to taxation.

Use of the Funds. The cannabis business tax revenue would continue to be held in the City's General Fund and is used solely for primary support services that include Police, Fire, Public Works, Parks & Recreation, community programs and other essential services.

Fiscal Impact. The fiscal impact of this ballot measure is expected to have a minimal increase in taxable sales at best; generating less than \$3,000 annually in additional taxes. The current seven (7) percent rate on the gross receipts would be expanded to include any "production" and "cultivation" activities. But the current Municipal Code would remain unchanged and any production or cultivation would only be allowed as part of the in-house operations of the two allowed dispensaries and it would prohibit any external, stand-alone cultivation within the city limits. Any business to business sales of cannabis are expected to be modest given the production and cultivation limitations (cost of land and lease space within Santa Cruz and the legal limitations on production and cultivation) and not expected to exceed 1% of total sales.

This measure is not expected to add any significant amount of new administrative costs.

Accountability. The City's Finance Director is the tax administrator, and has the authority to examine the books and records of the cannabis businesses to verify the accuracy of the statement of gross receipts that was filed and the business tax computed thereon. The Finance Director also has the authority to issue an assessment to a cannabis business for the estimated amount of tax owed if a statement is not filed and a tax is not paid by the business.



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Full text of Measure I

ORDINANCE AMENDING THE CANNABIS BUSINESS TAX

BE IT ORDAINED BY THE PEOPLE OF THE CITY OF SANTA CRUZ:

Sections 5.07.030(F), 5.07.030(G), 5.07.130 and 5.07.260 of the Santa Cruz Municipal Code are hereby amended as follows:

5.07.030 DEFINITIONS

(F) "Cannabis" means all parts of the plant *Cannabis sativa* Linneaus, *Cannabis indica*, or *Cannabis ruderalis*, as defined under the California Medical Marijuana Regulation and Safety Act at Health and Safety Code section 19300.5(f), as may be amended.

(G) "Cannabis business" or "medical marijuana business" means any business activity related to or concerning cannabis which entails the production, distribution, delivery, dispensing, exchanging, bartering or sale of either medical or nonmedical cannabis, including but not limited to, cultivating, transporting, manufacturing, compounding, converting, processing, preparing, storing, packaging, wholesale, and/or retail sales of cannabis and any ancillary products in the city, whether or not carried on for gain or profit.

5.07.130 WAIVER OF PENALTIES

The administrator may waive the first and second penalties imposed upon any person if:

(A) The person provides evidence satisfactory to the administrator that failure to pay timely was due to circumstances beyond the control of the person and occurred notwithstanding the exercise of ordinary care and the absence of willful neglect, and the person paid the delinquent business tax and accrued interest owed the city prior to applying to the administrator for a waiver.

(B) The waiver provisions specified in this subsection shall not apply to interest accrued on the delinquent tax.

(C) A request for relief from the first and second penalties must be filed within thirty days of the date the remittance was due to the city, but no later than ten days of the city's notice, if sent, to the operator of the amount past due.

5.07.260 SUCCESSOR'S AND ASSIGNEE'S RESPONSIBILITY

If any operator, while liable for any amount under this chapter, sells, assigns or otherwise transfers the business, whether voluntarily or involuntarily, the operator's subsequent successor, assign or other transferee, or other person or entity obtaining ownership or control of the business, shall satisfy any tax liability owed to the city associated with the business. Failure to do so for the benefit of the city will result in being personally liable to the city for the full amount of the tax liability, which includes interest and penalties.

The successor operator, assign, purchaser, transferee, or other person or entity seeking to obtain ownership or control of the business shall notify the administrator of the date of transfer at least thirty days prior to the transfer date; or if the agreement to sell, transfer, or otherwise dispose of the business was made less than thirty days prior to the date of transfer, notice shall be provided immediately.

The successor operator, assign, purchaser, transferee, or other person or entity who obtains ownership or control of the business shall be deemed to have complied with the requirement of this section to satisfy the unpaid tax liability if that person or entity has requested and received a "tax clearance certificate" from the administrator showing that it has been paid and stating that no amount is due through the date of transfer. The issuance of such a tax clearance certificate shall be in accordance with the procedures set forth in California Revenue and Taxation Code Section 7283.5 as applicable to transient occupancy taxes.

The administrator, within ninety days of receiving a written request from a successor operator, assign, purchaser, transferee, or other person or entity who obtains or attempts to obtain ownership or control of the business, may issue a "Tax Clearance Certificate" stating either the amount of tax liability due and owing for the property, or stating that there is no tax liability due and owing for the property. The administrator may also request financial records from the current or former owner or operator to conduct an audit of the tax that may be due and owing. After completing the audit within ninety days after the date that the records were made available, the administrator may issue a tax clearance certificate within thirty days of completing the audit, stating the amount of the tax liability owed, if any. If the city determines that the records provided for an audit are insufficient, the administrator may rely on the facts and information available to estimate any tax liability associated with the property. The administrator may issue a tax clearance certificate stating the amount of the tax liability, if any, based on such facts and information available. A written application for a hearing on the amount assessed on the tax clearance certificate must be made within ten days after the serving or mailing of the certificate. The hearing provision of Section 5.07.300 shall apply. If an application for a hearing is not made within the time prescribed, the tax clearance certificate shall serve as conclusive evidence of the tax liability associated with the property as of the date specified on the certificate.