

Measure (TBD)

To fund general municipal expenses such as fire, safety, roads and recreation, shall the City repeal the current cannabis tax and modernize it with a new cannabis or hemp business tax at annual rates not to exceed 8% of gross receipts for retail cannabis businesses, and 4% for all other cannabis businesses; which is estimated to generate \$560,000 to \$1,120,000 annually and will be levied until repealed by the voters?

City Attorney Impartial Analysis

On July 7, 2020, the City Council of the City of Lemon Grove (Council) unanimously approved submission of an ordinance for voter approval to establish a Cannabis Business Tax (Tax) and the repeal of the cannabis business permit tax currently contained in the Lemon Grove Municipal Code (Code) (Measure TBD).

If approved, Measure TBD would amend the Code by adding Chapter 5.46 entitled the "Cannabis Business Tax Ordinance." It would authorize the Council to implement the Tax by resolution or amendment of the Code for the purpose of imposing a business tax on all commercial cannabis (marijuana) businesses in the City. The Tax would take effect on January 1, 2021.

Funds from the Tax would be deposited into the City's General Fund to be used for general governmental purposes, including, but not limited to, public safety, roads, community and recreation services, and homelessness prevention services. The Tax is not a sales or use tax imposed directly on cannabis users or consumers. It is a tax on the businesses that have business activity involving medicinal marijuana, cannabis products, or industrial hemp and hemp products in the City.

Measure (TBD) would impose a maximum tax rate on cannabis businesses of up to eight percent (8%) of gross receipts for retail sales of cannabis, including delivery services and microbusinesses; up to four percent (4%) of gross receipts for cultivation of cannabis; up to two percent (2%) of gross receipts for testing laboratories for cannabis; up to three percent (3%) of gross receipts for distribution of cannabis; and up to four percent (4%) of gross receipts for manufacturing or processing of cannabis.

Measure (TBD) authorizes the Council to annually adjust the rates of the Tax, so long as the adjusted rates do not exceed the maximum rates approved by the voters. It is estimated that the tax would generate \$560,000 to \$1,120,000 annually in new revenue for the City's General Fund.

Currently in Lemon Grove medicinal cannabis retailers (dispensaries) are permitted by conditional use permit. All other medicinal cannabis businesses and recreational cannabis businesses are prohibited in Lemon Grove. Any prohibited cannabis businesses legalized by a change in the law would also be subject to the Tax.

This measure requires approval of a simple majority (50% plus 1) of those voting on the Measure.

A 'yes' vote for the Measure will establish a Cannabis Business Tax in the City of Lemon Grove. A 'no' vote against the Measure will not establish such a tax. If adopted, the Tax would be levied until repealed by the voters.

The above statement is an impartial analysis of Ordinance or Measure (TBD). If you desire a copy of the ordinance or measure, please call the elections official's office at (619-825-3841) and a copy will be mailed at no cost to you.

Impartial analysis word count: 456