

Item # 21

File #19-247



Temporary Cannabis Events & Cannabis Tax Rate

Presented to Board of Supervisors
on May 7, 2019
Department of Resource Management



Board of Supervisors Actions:

October 2, 2018

- Adopted Ordinance 2018-1799 which prohibited all commercial cannabis activities in the unincorporated areas of Solano County. Temporary cannabis events were not specifically addressed in that Ordinance.

October 23, 2018

- Board requested staff bring a Interim Urgency Ordinance forward prohibiting temporary cannabis events.

November 6, 2018

- Board approved 45-day Interim Urgency Ordinance prohibiting temporary cannabis events in the unincorporated area of Solano County.

December 11, 2018

- Board extended Interim Urgency Ordinance for additional 10 months/15 days to November 6, 2019. Board requested information on setting tax rate on cannabis sales



Temporary Cannabis Events – State License

- Licenses issued by the Bureau of Cannabis Control (BCC).
 - Can be held at county fair or district ag association event until passage of AB 2020 which allows local jurisdictions to approve other venues.
 - Before BCC will issue license – must have local jurisdiction's authorization for on-site sales and consumption by adults over 21.
 - All event vendors must be a licensed retailer or microbusiness licensed to sell cannabis goods.
 - All cannabis goods sales at the event are restricted to age 21 and over.
 - Consumption areas must be restricted to 21 and over, not visible from any public place.
 - Consumption of alcohol or tobacco shall not be allowed on event premises.



Temporary Cannabis Events Board Discussion

On December 11, 2018 the Board of Supervisors received a staff report outlining several options for regulating temporary cannabis events. After Board discussion, the Board directed staff to amend Chapter 3 of the Solano County Code and prepare a permanent ordinance to:

- Allow temporary cannabis events solely at the Solano County Fairgrounds; and
- Allow sales of cannabis and cannabis products; and
- Prohibit on-site cannabis consumption at these events; and
- Require further oversight from Solano County.

The Board also directed staff to review the taxation rate of sales of cannabis and cannabis products at temporary cannabis events at the Solano County Fairgrounds.



Temporary Cannabis Events Ordinance:

Staff has drafted a permanent ordinance addressing temporary cannabis events that:

- allows temporary cannabis events solely at the Solano County Fairgrounds and no other venue in the unincorporated area; and
- allows sales for cannabis and cannabis products to adults over the age of 21; and medical patients with physician's recommendation or medical marijuana identification card; and
- prohibits all on-site consumption of cannabis and cannabis products; and
- requires the temporary cannabis event organizer to obtain a temporary cannabis event operations license from the Department of Resource Management. The temporary cannabis event operations license would be required annually. Applicant would need to provide contact information for all licensees that intend to provide on-site sales of cannabis and cannabis goods.



Temporary Cannabis Events Ordinance (cont.):

- The Board may choose to modify the proposed restrictions/guidelines presented in the draft Ordinance, including the Board could chose to allow on-site consumption:
 - Designate specific criteria to allow consumption in existing “smoking areas” designated per the Smoke-Free Facilities Policy or to establish new consumption areas for edibles, oils/tinctures and/or smoking/vaping of cannabis products.
 - May require modification of the County’s Smoke-Free Facilities Policy to establish additional consumption areas if smoking/vaping allowed.
- Or, the Board could chose to allow other locations, or place a cap on the number of temporary events held at the Fairgrounds annually.



Consideration of Business License Tax Rate – Cannabis Sales

1. The business license tax is only tax rate Board has direct authority to set.
2. Current County Business License tax rate approved by the voters in 2016 for cannabis product retail sales is up to 15%, but the Board has authority to adjust this rate to be less than 15%.
(Established by Ordinance No. 2016-1773 adopted August 9, 2016 that amended Chapter 11 of Solano County Code. Resolution 2016-150 also adopted at same time, which authorized the placement of the cannabis business license tax measure on the November 8, 2016 ballot. Voters approved the measure 63% to 37%).
3. The Board is asked to affirm/set a Business License tax rate as part of the actions for permitting temporary cannabis events by County Ordinance.



Consideration of Business License Tax Rate – Cannabis Sales (cont.)

Statewide – Local jurisdictions are reviewing their cannabis Business License related taxes:

- Local jurisdiction trend is to lower existing tax rates, citing competition from black market.
- Starting tax rates at a low rate with options to increase in the future.
- Taxing different types of cannabis businesses at different rates.



Business License Tax Rate – Discussion

Other Taxes (outside of Board authority):

- Current State taxation:
 - State Cannabis Excise Tax for retail purchase of cannabis and cannabis products is 15%.
 - State Cultivation Taxes per ounce of cannabis - \$9.25 dried flowers, \$2.75 dried leaves, \$1.29 fresh cannabis plants.
- Sales Transaction Tax that apply at County Fairgrounds:
 - State: 7.25%
 - State - 6%
 - Local County Transportation (MTC) - 0.25%
 - Local City or County operations - 1%
 - Countywide Library: 0.125%
 - City of Vallejo: 1%
 - Total Sales Tax: 8.375%**



Cannabis Business License Tax Rate – Discussion

Jurisdiction City	Retail Tax Rates
Benicia	Up to 6% gross receipts
Dixon	Measure K up to 15% of gross receipts
Fairfield	Commercial cannabis businesses not allowed
Rio Vista	1 st year 1% of gross receipts, 2 nd year 2%, 3 rd year 3%, etc.
Suisun City	Up to 15% of gross receipts
Vacaville	Commercial cannabis businesses not allowed
Vallejo	Existing 10% per Measure C, will reduce to 7% on July 1, 2019

Jurisdiction County	Retail Tax Rates
Contra Costa County	Up to 4% gross receipts
Napa County	Commercial cannabis businesses not allowed
Sacramento County	Commercial cannabis businesses not allowed
Sonoma County	2% of gross receipts
Yolo County	Initial rate of 5%; may increase or decrease annually by 2%



Business License Tax Rate – Options

CURRENTLY APPROVED: Tax Calculation Example using the current adopted 15% Solano County Business License Tax Rate for cannabis:
For a \$40 sale of cannabis:

State Excise tax (15%) - \$6.00

Solano County Cannabis Business License Tax (15%) - \$6.90

General Sales Tax (State (7.25%), County (.125%) & Vallejo (1%)) - \$4.43

Total Due - \$57.33

EXAMPLE: Tax Calculation Example using 7% Solano County Business License Tax Rate (Same rate as City of Vallejo beginning 7/1/2019):

For a \$40 sale of cannabis:

State Excise tax (15%)- \$6.00

Solano County Cannabis Business License Tax (7%) - \$3.22

General Sales Tax (State (7.25%), County (.125%) & Vallejo (1%)) - \$4.12

Total Due - \$53.34

*Per California Department of Tax and Fee Administration & HdL Companies Report 1/16/19/City of Vallejo



Staff Recommendations:

Staff recommends that the Board:

Temporary Cannabis Events Ordinance:

- Adopt the proposed ordinance amending Chapter 3 establishing a permanent ordinance to permit and regulate temporary cannabis events limited to only the Solano County Fairgrounds (4/5 vote required).

Business License Sales Tax:

- Adopt the proposed resolution to set the business license tax for retails sales of cannabis and cannabis products to seven (7%) percent, which is the same tax rate as the City of Vallejo beginning July 1, 2019.



Questions?