

Feedback on the press release of April 11<sup>th</sup>, 2018 by the County Administrative Officer entitled “**County Preparing to Collect Cannabis Cultivation Taxes, Revenues Uncertain**”.

In the press release, it is stated:

"Cultivators' first tax payment will be **due upon issuance of a County permit**. The **County's authority to collect payments only begins once the cultivator's permit is final**, and the Treasurer-Tax collector cannot issue a bill prior to that time."

Both of those statements are questionable and require examination. First, under Measure C, the assessor cannot begin to accrue the taxes until cultivation begins. It is not consistent with Measure C to demand the payment when the permit is issued, and payment is due biannually. Second, it is possible to accrue Measure C taxes before the permit is "final", so long as a temporary permit which allows cultivation is issued to the applicant and the applicant begins cultivation activities.

Under Measure C the taxes begin to accrue from the date of commencement of actual cultivation. The cultivator is only taxed on square footage of the cultivation area, irrespective of the maximum permitted cultivation area.

From Measure C:

#### **Sec. 18-49 Definitions**

**49.1 “Cultivation” means the germinating, cloning, seed production, planting, growing, and harvesting of cannabis plants and the on-site drying, curing, grading, or trimming of cannabis plants.**

#### **Sec. 18-54 Manner of Collection**

**The tax imposed by this Chapter shall be collected by the Lake County Treasurer-Tax Collector biannually in the same manner as other taxes fixed and collected by the County of Lake. For purposes of this Chapter, taxes shall begin to accrue on the date on which a person becomes engaged in legally-authorized cannabis cultivation in accordance with the applicable provisions of the Lake County Code and all other applicable state and federal laws and regulations.**

More generally speaking, the tax liability under Measure C is not directly attached to the county permit to cultivate, but to the actual cultivation. The taxes accrue irrespective of whether or not the County Treasurer-Tax Collector issues a bill.

Since no County Cultivation permits have been issued as of April 15<sup>th</sup>, 2018, there will be no Measure C tax revenue from outdoor cultivation before December 15<sup>th</sup>, 2018. If permits are not issued in time for applicants to operate in the 2018 outdoor cultivation season, there will be no revenue from this group until at least April 15<sup>th</sup>, 2019, but more likely December 15<sup>th</sup>, 2019, depending on when cultivation commences in 2019 (before or after April 15<sup>th</sup>, 2019). The delay in the early activation of the 2018 outdoor cultivation permits will likely forfeit significant Measure C tax revenue.

Measure C has proven potential to generate significant income for the County if supported by business-friendly policy.