

ORDINANCE NO. _____

**ORDINANCE AMENDING SANTA CRUZ COUNTY CODE SECTION 4.06.070(C)
RELATING TO CANNABIS BUSINESS TAX RATES, AND MAKING CEQA
FINDINGS**

The Board of Supervisors of Santa Cruz County hereby finds and declares the following:

WHEREAS, pursuant to Santa Cruz County Code section 4.06.070(C), the current rate of the cannabis business tax is set at seven percent of gross receipts for all cannabis business; and

WHEREAS, pursuant to Santa Cruz County Code section 4.06.070(B), the Board of Supervisors may, by ordinance, establish differing tax rates for different categories of cannabis businesses, subject to the maximum rate of 10 percent of gross receipts; and

WHEREAS, on October 24, 2017, the Board of Supervisors determined that the tax rate for cannabis cultivation business and cannabis manufacturing business should be lowered for a certain period of time; and

WHEREAS, by adjusting the tax rate for cannabis cultivators and cannabis manufacturers as set forth in this ordinance, the County is not encouraging development in any way and, based on the facts known to the Board, this ordinance has no potential to result in any reasonably foreseeable environmental impacts;

NOW THEREFORE the Board of Supervisors of the County of Santa Cruz ordains as follows:

SECTION I

Santa Cruz County Code Section 4.06.070(C) is hereby amended to read as follows:

(C) Pursuant to subsection (A) of this section, the cannabis business tax is set at seven percent of gross receipts. Commencing on the operative date of this chapter, every person engaged in cannabis business in the unincorporated area of the County shall pay a cannabis business tax at the rate of seven percent of gross receipts. [Added by Measure K, November 4, 2014].

(1) Exception: Pursuant to the authority described above in subsection (B), the business tax rate for cannabis cultivation business and cannabis manufacturing business is modified as set forth below.

(2) Commencing on January 1, 2018, every person engaged in cannabis cultivation business shall pay a cannabis business tax at the rate of five percent of gross receipts through December 31, 2019. Commencing on January 1, 2020, every person engaged in cannabis cultivation business shall pay a cannabis business tax at the rate of six percent of gross receipts through December 31, 2021. Commencing on January 1, 2022, and continuing thereafter, every

person engaged in cannabis cultivation business shall pay a cannabis business tax at the rate of seven percent of gross receipts.

(3) Commencing on January 1, 2018, every person engaged in cannabis manufacturing business shall pay a cannabis business tax at the rate of five percent of gross receipts through December 31, 2019. Commencing on January 1, 2020, every person engaged in cannabis manufacturing business shall pay a cannabis business tax at the rate of six percent of gross receipts through December 31, 2021. Commencing on January 1, 2022, and continuing thereafter, every person engaged in cannabis manufacturing business shall pay a cannabis business tax at the rate of seven percent of gross receipts.

SECTION II

This ordinance is not subject to the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and Section 15060(c)(3) (the activity is not a project as defined in Section 15378 of the CEQA Guidelines, because it has no potential for resulting in physical change to the environment, directly or indirectly).

SECTION III

This ordinance shall take effect on the 31st day after the date of final passage.

PASSED AND ADOPTED this ____ day of _____, 2017, by the Board of Supervisors of the County of Santa Cruz by the following vote:

| | |
|----------|-------------|
| AYES: | SUPERVISORS |
| NOES: | SUPERVISORS |
| ABSENT: | SUPERVISORS |
| ABSTAIN: | SUPERVISORS |

Chairperson of the Board of Supervisors

Attest: _____
Clerk of the Board

APPROVED AS TO FORM:

Jim Heats 10/31/17

Chief Assistant County Counsel

cc: County Administrative Office
Auditor-Controller-Treasurer-Tax Collector