

**IMPARTIAL ANALYSIS BY CITY ATTORNEY
MEASURE Q2021
CITY OF LOMPOC**

INCREASES IN GENERAL TAXES ON CANNABIS MANUFACTURING AND DISTRIBUTION AND OTHER CHANGES TO THE CANNABIS TAX REGULATIONS

Measure Q2021, if approved by a majority of voters, would (i) increase general taxes on cannabis manufacturing and distribution operations within Lompoc and (ii) make various changes in Lompoc's cannabis tax regulations. That increase is estimated to annually generate \$1.2 Million in City revenue.

Background:

On November 6, 2018, Lompoc voters passed a ballot measure, which imposed taxes, at varying rates, on cannabis activities, except testing and medical retail sales. On July 5, 2021, the City Council placed a measure on the September 14, 2021, ballot for voters to decide whether to increase the taxes levied on cannabis manufacturing and distribution operations, as well as make other changes to the City's cannabis regulations.

What Measure Q2021 would do:

Measure Q2021 would increase taxes on cannabis manufacturing and distribution operations. The current tax rates for those operations are an annual flat tax of \$15,000.00 if net income is less than \$2,000,000.00, and \$30,000.00 if net income is greater than that. Net income is defined as total revenue and moneys received, minus costs of doing business such as deductions and allowances for rent, depreciation, cost of goods sold, labor costs, losses, interest and taxes.

Measure Q2021 would impose taxes on cannabis manufacturing and distribution operations' annual taxed amounts as follows:

\$10 Million or less -	0.5 cents per dollar;
> \$10 Million up to \$25 Million -	1.0 cent per dollar;
> \$25 Million up to \$40 Million -	1.5 cents per dollar;
> \$40 Million up to \$55 Million -	2.0 cents per dollar; and
> \$55 Million -	2.5 cents per dollar.

The Measure defines "taxed amount" as the total revenue received from customers of a commercial cannabis activity for products and services directly or indirectly provided by that business.

Under Measure Q2021, taxes imposed on other cannabis operations within Lompoc would be calculated based on the "taxed amount," rather than total proceeds. With that change, the amount of sales taxes paid by a customer would no longer be included when Lompoc's cannabis taxes are calculated.

Measure Q2021 would also do the following:

- (i) Allow Lompoc's cannabis taxes to be shown on a customer's receipt,
- (ii) Modify the definition of "manufacturing and distribution," and
- (iii) Add a definition for "cultivation."

The Lompoc cannabis tax currently allows the City Council to amend Chapter 3.50 of the Lompoc Municipal Code, to further its purpose and intent (including, but not limited to, suspending or reducing any tax established by Lompoc's cannabis tax) in any manner that does not constitute a tax increase for which voter approval is required by Article XIII C of the California Constitution. Those same requirements would apply to the amendments proposed by Measure Q2021.

Vote Required for Passage of Measure Q2021

Measure Q2021 requires approval by a majority of voters. A "Yes" vote approves Measure Q2021. A "No" vote disapproves it.

/s/ Jeff Malawy, Lompoc City Attorney

The above statement is an impartial analysis of Measure Q2021. If you desire a copy of the ordinance or measure, then please call the elections official's office at 805.875.8241 and a copy will be mailed at no cost to you.