

*We are a welcoming, active and business-friendly rural
foothill community built on California's rich gold rush history*



City Manager's Report
March 11, 2025, City Council Meeting
Prepared by: M. Cleve Morris, City Manager
Item #: 12.2

Subject: Consider a letter of support opposing an increase in the States Cannabis Excise Tax

Recommendation: Consider authorizing the Mayor to sign a letter to State legislatures opposing an increase in the Cannabis Excise Tax from 15% to 19%.

Purpose: To provide support to local Cannabis Businesses and to discourage illegal Cannabis purchases.

Strategic Plan Strategy: Business friendly ardent supporter of local commerce and diverse business culture-

Background: In November of 2018, the City Council placed Measure M on the Ballot to consider a tax on potential Cannabis Businesses. The Measure was approved and implemented through City Code Title 5 Chapter 29. The tax amounts to 4% on all retail sales in the City. Following that action, the Council started a process to issue three licenses to potential Cannabis Businesses. An extensive application and vetting process was held by the Council and included appeals and legal action. In the end the Council awarded two licenses, and those businesses have now opened in the City: Chucks Wellness Center and Sacred Roots.

Since opening, the businesses contribute approximately \$320,000 each year in Cannabis Taxes. These taxes are used to fund General Government Services, including Public Safety Services and other general operations. In addition, the City instituted a Cannabis Community Benefit program. This program receives an additional 1% fee on retail sales amounting to approximately \$80,000 per year. These funds have been used to fund community projects including Non-profit Grants, Fire Safe Grants, Pool Repairs, Bell Tower Repairs, New Lighting at Lion's Park and Lion's Park Field and Irrigation Renovation.

In addition to the 5% tax received by the City, the State collects a 15% tax. There is a proposal at the State to increase this tax from 15% to 19%. In addition to these special taxes, sales tax is collected on all sales making the current total 28.25%.

Discussion: Attached is an email from Annie Aubrey, owner of Chuck's Wellness Center, requesting a letter from the City opposing the proposed tax increase. The concern is that if the tax is increased further, it will force more people away from legal safe sales and into purchasing illegal products. Increasing public safety issues and reducing City revenues. Attached is a draft letter for consideration.

Options:

1. Authorize the Mayor to sign and distribute the letter as outlined.
2. Authorize the Mayor to sign and distribute the letter with amendments.
3. Do not approve the letter and provide further direction, if any, to staff.

Environmental:

This program does not qualify as a project under the California Environmental Quality Act (CEQA) and therefore no Environmental Statement is necessary.

Cost: There is only minimal cost to prepare and distribute the letter.

Budget Impact: Any cost can be absorbed in the current year's budget.

A handwritten signature in blue ink that reads "M. Cleve Morris". The signature is written in a cursive style and is positioned above a horizontal line.

M. Cleve Morris, City Manager

Attachments:

- Att. A: Memo from Annie Aubrey
- Att. B: Draft letter