

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE V

Measure V was placed on the ballot by a unanimous vote of the Vacaville City Council. If approved by a majority vote of Vacaville voters Measure V will add an Ordinance, Chapter 5.38 (Cannabis Business Tax) ("Ordinance"), to Title 5 of the Vacaville Municipal Code, imposing a tax on cannabis businesses operating within the City.

The Ordinance defines a cannabis business as a business activity that involves cannabis or industrial hemp, and includes related activities such as cultivation, transportation, distribution, manufacturing, compounding, converting, processing, preparing, storing, packaging, delivering, testing, dispensing, retailing, wholesaling and all other business activities. The Ordinance requires and enforces cannabis business registration, and reporting, and remitting cannabis taxes to the City.

The Ordinance sets maximum tax rates for commercial cannabis cultivation, including industrial hemp, ranging from \$2.00 - \$10.00 per square foot of canopy space depending on the type facility in which the cultivation activity is conducted (based primarily on type of lighting: natural or artificial). The rates increase annually by a specified consumer price index commencing on January 1, 2024. The Ordinance sets maximum tax rates for other cannabis businesses, including industrial hemp, ranging between 2% to 6% of gross receipts depending on the type of cannabis business.

The City Council may increase or decrease the rate of the cannabis business tax up to the maximum allowed. The City Council may not increase the tax rates above the maximum allowed, or repeal the tax, without voter approval.

The tax is only on commercial cannabis businesses and is not a sales tax imposed on individuals purchasing adult-use or medical cannabis. The tax would not be imposed on persons engaged only in personal cultivation for personal consumption in accordance with current state law.

Measure V is a general tax. All revenue from this tax would be deposited into the City's General Fund and could be used for any lawful municipal purpose such as general City operations and services. The tax would be effective January 1, 2021 and would remain in effect until repealed by the voters.

The City of Vacaville currently does not permit cannabis businesses to operate in the City and this Ordinance does not authorize any cannabis business to operate in the City. Should any cannabis business be authorized to, or otherwise operate in Vacaville on or after January 1, 2021, those businesses would be obligated to pay the tax instituted by the Ordinance. Acceptance of a cannabis business tax payment does not constitute authorization or approval to conduct any unauthorized cannabis business.

A "yes" vote is a vote to approve the cannabis business tax. A "no" vote is a vote to reject the cannabis business tax.

Melinda C. H. Stewart, City Attorney

The above statement is an impartial analysis of Measure V. If you desire a copy of the Measure, please call the City Clerk's Office at 707-449-5100 and a copy will be mailed to you at no cost.