

Oakdale Cannabis Business License Tax - Impartial Analysis of Measure C

Measure C has been placed on the ballot by the Oakdale City Council. Measure C, if approved, would authorize the City Council to impose a business license tax of up to fifteen percent (15%) of the gross receipts of any cannabis-related business.

The legalization of cannabis for recreational or other non-medicinal use was approved by California voters at the November 8, 2016, statewide election. On November 20, 2017, the City adopted Ordinance 1251 amending the City's Municipal Code to permit commercial cannabis activity in the City within specified zoning districts, subject to obtaining a development agreement and major use permit from the City. The City's cannabis ordinance authorizes commercial cannabis cultivation, dispensaries, manufacturing, and testing laboratories.

If Measure C is adopted by the City's voters on November 6, 2018, the City Council will be authorized, but not required, to impose a business license tax on cannabis businesses. Cannabis businesses include all entities engaged in the commercial cultivation, distribution, and exchange of cannabis, whether for medicinal or non-medicinal reasons. The tax would not apply to those cannabis businesses that have entered into a development agreement with the City.

Measure C also authorizes the City Manager to establish procedures for collecting tax and authorizes the Finance Director to audit any business engaged in commercial cannabis activity. The City will also establish penalties and fines to enforce the payment of the cannabis business license taxes.

The proposed cannabis business license tax is a general tax because the revenues would be deposited into the City's general fund for general municipal services, such as improving the City's streets and sidewalks, and funding public safety services. Under the California Constitution, general taxes must be approved by a majority vote of the City's electorate.

A 'YES' vote, by a majority of the voters, would approve proposed amendments to the Oakdale Municipal Code to establish a business license tax of up to 15% of the gross receipts of a cannabis business in Oakdale.

A 'NO' vote would disapprove proposed amendments to the Oakdale Municipal Code to authorize the City Council to establish a business license tax of up to 15% to be paid by an authorized cannabis business in Oakdale.

/s/

Thomas P. Hallinan, City Attorney
City of Oakdale

If you desire a copy of the measure, please call the City Clerk at (209) 845-3573 and a copy will be mailed at no cost to you.

OFFICIAL ARGUMENT IN FAVOR OF MEASURE C

In November of 2016, California voters legalized cannabis for recreational and non-medical use. Since that time, the city has permitted cannabis businesses to operate in the city in order to pay for some of the effects on the community related to this new law. The city has entered into agreements with the cannabis businesses to regulate them and generate revenue through a Public Benefit Fee. The Public Benefit Fee can be used to fund additional services such as police and code enforcement.

After the agreements expire, and in order to receive revenue from cannabis businesses which are operating illegally, the city needs a cannabis taxing mechanism in place in order to ensure a continued stream of revenue. The tax will also serve as an enforcement mechanism and discourage illegal operators from operating a cannabis business without City approval.

The proposed cannabis business tax would authorize the Oakdale City Council to impose a local tax of up to 15% on cannabis businesses not operating under an agreement with the City. The tax would provide significant revenue directly related to Oakdale's Public Benefit Fund, which could fund valuable public services in the future.

The City Council believes taking a proactive stance on the regulation of this industry is in the best interests of the City of Oakdale. Accordingly, we urge all Oakdale voters to vote in favor of the proposed cannabis business tax.

/s/J.R. McCarty

J.R. McCarty

/s/Richard J. Murdoch

Richard J. Murdoch