

Sarah Mayer

Public Comment

# 3



**From:** Sam Rodriguez <sam@goodfarmersgreatneighbors.com>  
**Sent:** Friday, May 10, 2024 7:09 AM  
**To:** sbcob  
**Cc:** Steinfeld, Amy; Brittany Odermann; Sam Rodriguez  
**Subject:** Proposal - Hybrid - Minimum Alternative Tax  
**Attachments:** Proposal - Hybrid - Minimum Alternative Tax Payment (3) (1).pdf

**Caution:** This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.

## Attention: Clerk of the Board

On behalf of **Good Farmer Great Neighbors Trade Association**, please accept our letter for Public Comment for the upcoming May 14th Board of Supervisors Meeting regarding **Item #3 Cannabis Cultivation Taxation Options**.

Please don't hesitate to contact me or Amy Steinfeld for additional information.

Best regards,

Sam

--  
Sam Rodriguez  
Policy Director  
916-849-4300 cell  
<https://goodfarmersgreatneighbors.com/>  
<https://www.linkedin.com/in/sam-rodriguez-20065035/>



<http://www.goodfarmersgreatneighbors.com>

TO: Supervisor and Chair, Steve Lavagnino  
Supervisor Bob Nelson  
Supervisor Joan Hartmann  
Supervisor Laura Capps  
Supervisor Das Williams

FR: Sam Rodriguez  
Policy Director

CC: Amy Steinfeld, GFGN Counsel, Brittany Odermann, Deputy CEO

RE: Hybrid: Minimum Alternative Tax Payment  
Square Footage and Gross Receipts Conceptual Tax Proposal

On behalf of **Good Farmers Great Neighbors Trade Association** we appreciate your ongoing engagement to discuss policy and programmatic issues affecting the legal cannabis cultivation community in Santa Barbara County.

As you are aware, we convened a working group to assess and study the best possible tax policy scenarios that will not undermine the economic viability of cannabis farmer's livelihoods.

It is under duress and real uncertainty that we propose the following **Hybrid Minimum Alternative Tax Payment** for your consideration. We strongly believe the current **4% gross receipts** program is working well..

Additionally, we would like to bring to your attention current federal decisions and state legislative efforts to help stabilize the cannabis economy.

Here are the highlights:

- The **U.S Department of Justice and the Drug Enforcement Administration** have concurred with the **U.S Health and Human Services and the Federal Drug Administration** to reschedule marijuana from a schedule I controlled substance to a **Schedule III**, equal to Tylenol with codeine as an accepted medical use.
  - U.S. Senate Senator Leaders re-introduced the **Cannabis Administration and Opportunity Act** to deschedule adult-use recreational cannabis and regulate it similar to alcohol and wine
  - **Federal 280e Tax Benefit**: Cannabis Businesses can apply costs associated with operations to their annual federal taxes.
  - **U.S Environmental Protection Agency (EPA)** can identify organic pesticides for cannabis farmers to apply through state programs.
- The **Governor and State Legislature** have enacted the following laws to stabilize the California Cannabis Industry and help position the State to be competitive for interstate commerce similar to California Wine.
  - **Cannabis Organic Certification Program**, administered by the California Department of Food and Agriculture. This program mirrors the same in the U.S. Department of Agriculture.
  - **Appellation of Origin for Cannabis Farmers**, administered by the California Department of Food and Agriculture. This program also mirrors the same in the U.S. Department of Agriculture for the Wine Industry.
  - **Elimination of the Cannabis Cultivation Tax** and Collecting the Excise Tax of 15% at the point of Sale (Retailers).

Locally, the **Santa Barbara South Coast Chamber of Commerce** recently highlighted the County's **Cannabis Program** as a significant source of **tax revenues** for County's priorities. Specifically, the Chamber illustrated the following;

- FY 2020, \$53.5 million
- FY 2021, \$77.8 million
- FY 2022, \$66.3 million
- FY 2023, \$60.8 million

Most recently, **Sunstone Winery** became the first winery in the country to successfully launch a **Sunstone Cannabis Beverage, Spritz and Gummies** into the California marketplace and has already received high marks by the **LA Times** and other notable publications. **Sunstone** also held the first cannabis and wine event with local hotel and

lodging stakeholders to discuss how to expand additional strategies to build upon successful destination tourism activities underscoring on **Health and Wellness**.

And finally, we would like to strongly recommend a budget allocation of **\$50,000** to the **UC-Santa Barbara, Office of Economic Forecast Project** headed by **Professor Peter Rupert**, to study the economic impact of the cannabis community related to direct and indirect employment, multiplier effects benefiting local and regional businesses and other related contributing factors - including the economic benefits and workforce opportunities for economically disadvantaged populations in North County.

### **Outdoor, Sungrown Cannabis Cultivation in Santa Barbara County**

- A) **Square Footage Tax** = .05 per State DCC Cultivation License Canopy
  - To be paid within the first quarter of the fiscal year
  
- B) **4% gross receipts Tax** = applied to sales per local ordinance definition
  - To be assessed by the operator and submitted to the County in the 4th quarter of the fiscal year

**Scenario 1)** If the 4% gross receipts tax assessment is greater than the .05 square footage tax total then the square footage tax total is essentially rebated (subtracted against the 4% gross receipts total) and the remaining balance is paid in full to the County.

**Scenario 2)** If the 4% gross receipts tax assessment is lower than the .05 square footage tax total submitted then the licensed operator receives a rebate and/or credit for the following fiscal year (FY).

#### **Exemptions:**

1. DCC Cultivation License designated as inactive per **SB 833**
2. Crop suffers infestations, freeze, flooding conditions, fire, ash or smoke damage or other weather or natural disasters such as earthquakes, drought or other impacts including unplanned destruction or theft of the crop
3. Cannabis farms apply traditional fallow agricultural techniques to allow the land to recover and store organic matter while retaining moisture and disrupting pest cycles and soil borne pathogens by temporarily removing their hosts. A farmer is allowed to plow but not cultivate for one or more seasons to allow the field to become more fertile again.