

Ramirez, Angelica

Public Comment

#3

**From:** Marc Chytilo <marc@lomcsb.com>  
**Sent:** Friday, May 13, 2022 11:59 AM  
**To:** sbcob  
**Subject:** SBCRC to BOS Tax 5-13-22.pdf  
**Attachments:** SBCRC to BOS Tax 5-13-22.pdf



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Clerk – please accept the attached public comment on item # 3 – Cannabis Tax Options

Best

Marc

\* \* \* \* \*

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May 13, 2022

Santa Barbara County board of Supervisors  
105 E Anapamu Street, Fourth Floor  
Santa Barbara, California 93101

By Email: [sbcob@co.santa-barbara.ca.us](mailto:sbcob@co.santa-barbara.ca.us)

RE: Item # D3, Cannabis Taxation Options, May 17, 2022

*Chair Hartmann and members of the Board of Supervisors:*

The Coalition for Responsible Cannabis is a non-profit, community benefit organization seeking to ensure that commercial cannabis operations in Santa Barbara County are properly permitted, do not significantly and adversely impact surrounding land uses, and materially advance the betterment of the community. The Coalition has appealed numerous permits, supported research, testing and implementation of promising odor detection and control technologies, worked with responsible growers who agree that pervasive offsite cannabis odors are not acceptable, and appeared before your Board of Supervisors to seek the imposition of enhanced conditions on projects as well as revisions to the County's cannabis permitting and licensing ordinances.

We note various problems associated with the current Cannabis Tax Program. Revenues are well below projections, constraining the County's ability to regulate this new industry and denying the additional economic benefits that have been a leading justification for the County's cannabis program. Relying on an "honor system" for taxation with limited actual oversight and sanctioning mismanagement by exempting poorly-producing operations (or those that claim to be poorly-producing) has incentivized gaming of the County's system. The self reporting system can induce corner cutting and promote sloppy practices that increase adverse impacts upon the community. Cannabis grown "off the books" may be cultivated in areas and using methods beyond permit limits to enhance untaxed revenues. Low to non-existent tax rates encourage overproduction that has harmed communities and the industry itself.

After review of the options proposed by staff, the Coalition supports and urges your Board to adopt Option # 1, entailing a flat per square foot tax. We view the suggested tax rates of \$3 per foot of indoor and mixed light canopy and \$1 per square foot of outdoor canopy as appropriate in that they project a substantial increase in tax revenues. We note that the rates in neighboring San Luis Obispo County are \$ 8 and \$5 per square foot for mixed light and outdoor cultivation, and suggest that the County undertake a more robust analysis to ensure that the rate is set sufficiently high and not undercut rates charged in adjacent markets. We encourage that the tax rates be written into the ordinance, so the public can know what level of tax revenues can be expected from a vote on this measure.

MARC CHYTILO

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Among the options, only Option # 1 holds the potential to increase revenues with greater predictability, provide certainty to operators and public transparency, and enhance oversight and verification of cultivation taxation. It also substantially reduces the costs and complexities of County oversight of the taxation of cannabis.

Option # 1 – Per Square Foot taxation – is simple and widely utilized throughout the state. Compliance can be more easily verified through aerial and satellite imagery (for out door operations) and site visits confirming operator reporting in mixed light and indoor operations.

The other two options proposed each rely on self-reporting, the fatal flaw to the current taxation system. The County's taxation program will always be suspect when it relies on unverifiable self-reporting. As we have seen with outdoor growers unwilling to commit to low odor strains, cannabis operators jealously guard details about their operations, and with limited access to conventional banking and thus verifiable accounting tools, there is considerable opportunity and incentives to underreport revenues.

The Coalition has not sought to prevent this industry from operating, but instead insisted that operators act responsibly and with integrity. Land use permits enable inspections of physical facilities, and tools to assess and improve odor control, for example. The current taxation program for cannabis has no comparable tools to oversee the self-reported gross revenues of various operators. We support a simplified system based on the square footage of cannabis grown, preferably using the County's definition of cultivated acreage (as opposed to the more restrictive and soon-to-be-amended state canopy definition). Option # 1 promises increased revenue while reducing expenses.

Thank you for your consideration of our views in this important matter

Respectfully Submitted,

A handwritten signature in black ink, appearing to be 'Blair Pence', written in a cursive style.

Blair Pence

President

Santa Barbara Coalition for Responsible Cannabis, Inc.