

CHAPTER 50

Licensing of Cannabis Operations Ordinance Amendments

Board of Supervisors
June 27, 2023



Background

- Board adopted Chapter 50, Licensing of Cannabis Operations, in May 2018
- Chapter 50 has been amended several times to address unanticipated issues identified over time
- At the June 6th Board meeting, staff received direction to strengthen penalties and consequences related to timely tax reporting and payment
- This amendment requires timely reporting and payment of taxes as stated in the tax ordinance, the last day of January, April, July, and October

Proposed Amendments

Issue Area	Proposed Amendment	County Code
Grounds for denial of license	<p>Clarifies that county taxes must be paid and cannabis tax reports filed by due dates as defined in chapter 50A and will apply prospectively, otherwise the license may be denied.</p> <p><i>Current language: States that cannabis business license may be denied for failure to pay or file taxes.</i></p>	§ 50-17
Procedure and notice of denial	<p>Establishes that applicants will not be given additional timeframes to correct deficiencies related to not filing tax reports or paying taxes by due dates.</p> <p><i>Current language: Allows time to correct deficiencies, including late filing of tax reports and payments, established by county executive office.</i></p>	§ 50-18

Proposed Amendments

Issue Area	Proposed Amendment	County Code
Cannabis business license renewal process	<p>Adds language clarifying that an operator with tax delinquencies is not in “good standing” and may not continue to operate while the renewal application is processed.</p> <p><i>Current language: Allows operators in good standing to continue operating while renewal application is processed.</i></p>	§ 50-19
Denial of renewal licenses	<p>States that a business license renewal shall be denied if the licensee has been delinquent in payment of quarterly taxes or filing of quarterly reports.</p> <p><i>Current language: States that a business license renewal shall be denied if the licensee is delinquent in payment of county taxes on commercial cannabis activity.</i></p>	§ 50-20

Proposed Amendments

Issue Area	Proposed Amendment	County Code
Denial of renewal licenses	<p>Establishes that licensees will not be given additional timeframes to correct deficiencies related to not filing tax reports or paying taxes by due dates.</p> <p><i>Current language: Allows time to correct deficiencies, including late filing of tax reports and payments, established by county executive office.</i></p>	§ 50-20

Proposed Amendments

Issue Area	Proposed Amendment	County Code
Grounds for denial of license	<p>Clarifies that county taxes must be paid and cannabis tax reports filed by due dates as defined in chapter 50A and will apply prospectively, otherwise the license may be denied.</p> <p><i>Current language: Requires that licensee pay all taxes and fees.</i></p>	§ 50-25
Suspension or revocation of a cannabis business license	<p>Establishes that late filing of tax reports or payment of taxes is grounds for suspension or revocation of a business license.</p> <p><i>Current language: States that failure to pay cannabis taxes or file tax reports is grounds for suspension or revocation of a business license.</i></p>	§ 50-26

Summary

- Currently, operators are required to file tax reports and pay quarterly taxes on gross sales receipts
- This amendment proposes that a cannabis operation may be denied business license issuance or renewal if their quarterly tax reports and payments are not received by the due dates established in chapter 50A – Tax on Cannabis Operations
- Proposed language is meant to address the issue of operators filing late quarterly tax reports and failing to timely pay taxes
- If approved, changes would apply prospectively beginning August 10, 2023 (effectively for Q1 reporting in FY 23-24)

Recommended **Actions**

That the Board of Supervisors:

- a) Consider the introduction (First Reading) of an Ordinance of the Board of Supervisors of the County of Santa Barbara amending Chapter 50 of the Santa Barbara County Code, Licensing of Cannabis Operations in the unincorporated area of the County amending the grounds to deny business license applications and renewal business license applications based on the operator's failure to file cannabis tax reports and/or failure to pay county cannabis taxes by the due date set out in Chapter 50A;
- b) Read the title and waive further reading of the Ordinance in full; and
- c) Set a hearing on the Administrative Agenda for July 11, 2023 to consider the Second Reading and CEQA determination for amendments to Chapter 50.