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Katherine Douglas *Public Comment - CARP Growers*

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**From:** Whitney Collie <whitney@coastalbloomsnursery.com>  
**Sent:** Monday, June 17, 2024 1:07 PM  
**To:** sbcob; Supervisor Das Williams; Laura Capps; Joan Hartmann; Supervisor Nelson; Steve Lavagnino  
**Subject:** Item D7 Comment Letter  
**Attachments:** Item D7 - CARP Growers Comment Letter.pdf

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Hello,

Please see attached comment letter for item D7 in tomorrow's agenda.

Thank you,  
Whitney

**Whitney Collie**  
VP of Compliance  
e: [whitney@coastalbloomsnursery.com](mailto:whitney@coastalbloomsnursery.com)



Honorable Chair and Supervisors,

Thank you for all the time and attention that has been paid to this important issue. We really appreciate all of the creative solutions they have proposed. However, we oppose the proposed cannabis tax changes.

We would like to clarify some confusion we have heard repeated at past hearings regarding operators reporting zero sales on their quarterly reports. Some operators report \$0 on a taxable transfer because they are claiming their unfinished product (i.e. freshly harvested plant) has no value; these operators are the issue. However, *most* operators reporting \$0 are doing so because the transfer is not taxable. For example; if a company operates four cultivation locations, where all four have cultivation licenses and two have processing licenses, each location is required to report taxable income. Plants moving from cultivation at one site to processing at a different site within the County of Santa Barbara is not a taxable transaction as both of these activities qualify as cultivation and the product has not left the County. As the plants move out of cultivation to distribution or cultivation (processing license) out of the County, 4% gross sales is applied. In this scenario, two of the locations report overly high taxes (when calculated by sqft) and two would report zero.

Of the rates proposed in the staff report, only the option one rate is close to palatable for greenhouse growers, which is \$0.25 a square-foot a quarter. However, charging outdoor growers \$0.025 a quarter would not generate enough revenue to justify this tax measure. Taxes are only owed on quarters where taxable transfers occur and while greenhouse operators have taxable transfers year round, outdoor growers will only be transferring one to two quarters a year generating up to a quarter of a million dollars annually.

Higher rates are also proposed in the staff report, yet, an increase to a \$2.00 a year or \$0.50 a quarter tax will raise taxes on greenhouse/indoor growers already paying the bulk of the County cannabis taxes. Please see the cultivation totals shared in May's staff presentation below.

#### **Historical Totals (2022-23)**

- Cultivation tax collected: \$5,465,434
- Outdoor paid 18% (\$992,630) Indoor (greenhouse) paid 82% (\$4,472,804)
  - Assumptions based on sqft shared in 5/14 presentation:
    - Outdoor paid \$0.20/sqft annually
    - Indoor paid \$1.716/sqft annually

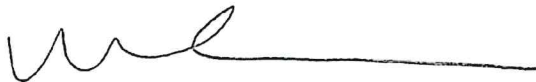
We continue to have concerns regarding the pending changes at the federal and state level. Federally, the classification of cannabis looks to be changing and because we don't know what

will happen in this regard, changing the tax structure before we have more information could be detrimental to the local industry. At the state level, SB 1064 is moving through the state legislature which would streamline licensing by issuing operator licenses and per site activity licenses. This change would affect how County taxes are triggered as there would no longer be transfers as cannabis moves through activities under a single operator.

The ability for supervisors to raise taxes in the future with a ⅔ majority instead of a voter initiative concerns our operators. The caps proposed are a rate that is far too high and the lack of clarity regarding the potential jumps in tax rate is not something we can support.

In conclusion, establishing a base rate of \$0.10 and \$1.00 **annually** would not generate noticeable additional income for the County. Establishing a base rate of \$0.10 and \$0.50 **per quarter** would raise taxes only for indoor growers currently paying 82% of the County tax operating 35% of the licensed square feet in the County. With so much unknown at the state and federal level, the County should hold to its current tax model and allow the Tax Treasurer office to audit those reporting zero as necessary.

Thank you for your time and consideration,

A handwritten signature in black ink, appearing to read 'Whitney Collie', followed by a long horizontal line extending to the right.

Whitney Collie  
President, CARP Growers