

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE W

CANNABIS BUSINESS TAX

The Tracy City Council voted 5-0 to place Measure W ("Measure") on the ballot to ask Tracy voters if the City should enact a tax on commercial cannabis and industrial hemp activities ("Cannabis Business Tax"). The maximum tax rates proposed by Measure W are:

- \$12.00 annually per square foot for plant canopy for cultivators;
- 6% of gross receipts for retailers;
- 2.5% of gross receipts for testing laboratories;
- 3% of gross receipts for distribution businesses; and
- 4% of gross receipts for all other businesses.

If approved, the Measure would levy a tax on all cannabis and industrial hemp businesses (cultivating, transporting, dispensing, manufacturing, producing, processing, preparing, storing, testing, providing, selling, or distributing cannabis or industrial hemp, products containing cannabis or industrial hemp, cannabis accessories and any ancillary products) that operate within Tracy. The City of Tracy requires cannabis businesses operating in Tracy to comply with all state and local regulations including obtaining a City Cannabis Business Permit.

The City Council may, by resolution or ordinance adjust the rate of the Cannabis Business Tax, including establishing different tax rates for different categories of cannabis businesses, such as medical or adult use. However, in no event may the City Council set an adjusted rate that exceeds the maximum rates established by Measure W.

The Cannabis Business Tax is levied based upon square footage of plant canopy for cultivators and business gross receipts for all other cannabis businesses. It is not a sales and use tax, a tax upon income, or a tax upon real property. The Cannabis Business Tax is a general tax and is solely for raising revenue and not for regulation. It shall apply to all persons engaged in commercial cannabis and industrial hemp activities in Tracy.

If Measure W is approved by a majority of the votes cast (50% plus one or more voters), the Cannabis Business Tax would be levied on all cannabis and industrial hemp businesses starting on January 1, 2021. The proceeds of the tax imposed by this measure shall be deposited in a General Fund and could be used for general City operations and services, including to fund core City services such as public safety, public works, parks, and community services. Measure W is estimated to generate between \$350,000 and \$700,000 annually.

A "yes" vote on Measure W would approve the Cannabis Business Tax and authorize the City to impose a tax on cannabis and industrial hemp commercial activities not to exceed the maximum rates stated in the Measure.

A "no" vote would reject the Cannabis Business Tax.

The above statement is an impartial analysis of the measure. If you desire a copy of the measure, please call the Tracy City Clerk at 209-831-6105 and a copy will be mailed at no cost to you.