

S. Lake Tahoe slow to make decision on pot tax

By Kathryn Reed

South Lake Tahoe electeds have yet to commit to putting a question on the November ballot asking voters to tax marijuana.

Discussion on the topic filled the bulk of the July 2 City Council meeting. The special meeting was necessary because the city clerk didn't properly do all the paperwork for the topic to be on the agenda at the last regular meeting.

The council is running out of time to make a decision in order for it to be on the Nov. 6 election. A decision is expected at the next regular council meeting, July 17. The council asked the consultant to bring back more information. Some of this has to do with how tourists were projected to contribute to revenue; some about how business fees would be recovered if development agreements go by the wayside. Also to be determined are the pros/cons of taxing microbusinesses as one entity versus breaking down the components of each. Some on the council also wanted a better handle on what expanding the legalization locally would cost the city, particularly the police, finance and planning departments.

Tim Cromartie with Hdl Companies, the company hired to provide recommendations for a tax initiative, gave an overview on what the various segments of the cannabis sector might garner based on various tax figures. He said the numbers provided would be good for two or three years.

Cromartie said the "pain point" for producers and consumers is at about 30 percent before people will stick with the black market. This gives local municipalities little room because the state of California already assesses about 25 percent in

taxes. That's a combination of excise and sales taxes.

California is already having issues, with cannabis tax revenue only at about half of projections.

It's also widely acknowledged that there is an oversupply of cannabis in the state, and elsewhere.

Cromartie said cultivation operations should be taxed based on square footage, not on quantity produced. This largely has to do with that method providing a consistent revenue stream and not relying on harvests, which can be variable. Plus, if the market bottoms out, the tax would not be affected if it's based on the facility's size.

The consultant's proposed maximum rates:

- Cultivation, indoor, artificial lighting – \$10/square foot
- Cultivation, indoor, mix lighting – \$7/square foot
- Cultivation, outdoor – \$4/square foot
- Cultivation, nursery – \$2/square foot
- Testing laboratory – 2½ percent gross receipts
- Retailer – 6 percent gross receipts
- Distribution – 3 percent gross receipts
- Manufacturing – 4 percent gross receipts.

The firm suggested initial rates start lower.

Hdl estimates with four businesses the city could conservatively bring in between \$217,000 and \$350,000 a year in taxes; with eight businesses between \$435,000 and \$700,000; and with 12 businesses between \$616,000 and \$996,000.

If voters were to approve a pot tax in November, it would

become effective Jan. 1, 2019. It would require a simple majority to pass.

Pot was also one of the discussion items in closed session; specifically the lawsuit regarding Tahoe Wellness Cooperative. No reportable action was taken.

However, a change now for closed sessions is that only people who have business regarding the item are allowed behind closed doors. In the past the city clerk was allowed in these private meetings. This was even though no notes are supposedly kept. The council made this change last month.