

RESOLUTION ADOPTING CANNABIS BUSINESS TAX

FINANCE DEPARTMENT

Finance Committee
September 11, 2024

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BACKGROUND

February 2023: Adopted Ordinance to replace Chapter 5.77 of the Riverside Municipal Code (RMC) – regulates Cannabis Business Activities in the City

October 2023: Adopted Storefront Retail Commercial Cannabis Business Permit Procedure Guidelines and Application Review Criteria

October 2023: Adopted Ordinance to amend Chapter 3.30 of the RMC to add additional category to Schedule of Regulations, Products and Services and Resolution to amend City's Fees and Charges related to Storefront Retail Cannabis



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BACKGROUND

November 2023: Adopted Resolution calling for municipal election to place Cannabis Business Tax Measure on Ballot up to 10% of gross receipts

November 2023: Adopted Ordinance adding Chapter 5.78 of the RMC (Cannabis Business Tax) to be operative and enforceable upon voter approval

April 2024: Adopted Resolution declaring results of election to include voter support of Ballot Measure B, "Cannabis Business Tax"



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CURRENT RATE STRUCTURE

- Voter approved Cannabis Business Tax maximum rate for all businesses set at 10%
- Cannabis Business Tax in addition to:
 - 15% California Cannabis Excise Tax
 - 8.75% Sales Tax
- RMC Section 5.78.080: Authority to implement, by resolution, a lower tax rate for all cannabis businesses or establish differing tax rates for different categories of cannabis businesses



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CANNABIS TAX RESEARCH

CANNABIS TAX RATES IN NEIGHBORING JURISDICTIONS

| Agency | Retail | | Manufacturing | | Distribution | | Testing | |
|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
| | Voter Approved Max Rate | Council Adopted Rate | Voter Approved Max Rate | Council Adopted Rate | Voter Approved Max Rate | Council Adopted Rate | Voter Approved Max Rate | Council Adopted Rate |
| Banning | 15% | 10% | 10% | 10% | N/A | N/A | 10% | 10% |
| Colton | 10% | 10% | 10% | 3% | 10% | 2% | 10% | 1% |
| Corona | 9% | 7% | 7% | 5% | 7% | 5% | 3% | 2% |
| County of Riverside* | N/A | \$16-\$20/SF | N/A | \$3-\$4.50/SF | N/A | \$3/SF | N/A | \$2/SF |
| Hemet | 15% | 8% | 25% | 3% | 15% | 2% | 15% | 4% |
| Jurupa Valley | \$25/SF | \$25/SF | \$3/SF | \$3/SF | \$3/SF | \$3/SF | \$3/SF | \$3/SF |
| Moreno Valley | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% |
| Perris | 10% | 10% | 10% | 10% | 10% | 2% | N/A | N/A |
| Pomona | 6% | 6% | 6% | 4% | 6% | 3% | 6% | 2.5% |
| San Bernardino City | 6% | 4% | 3% | 2.5% | 3% | 2% | 2.5% | 1% |
| San Jacinto | 15% | 15% | \$35/SF | \$10/SF | \$35/SF | \$10/SF | \$35/SF | \$10/SF |

* The County does not have a voter approved tax – requires public benefit fees and development agreement

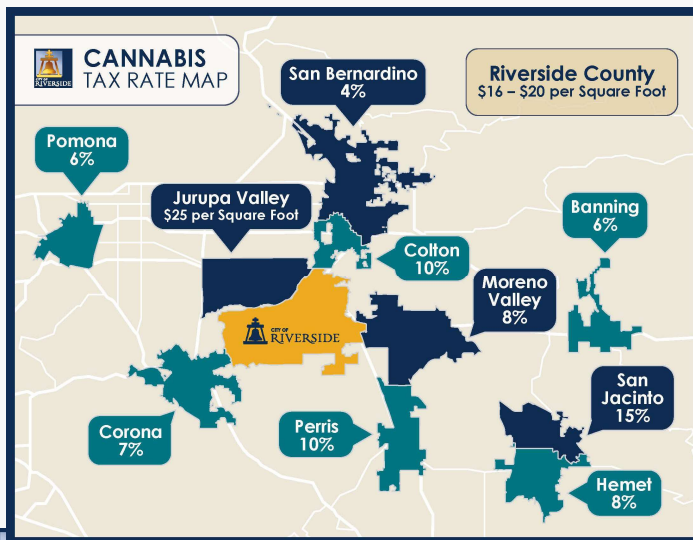
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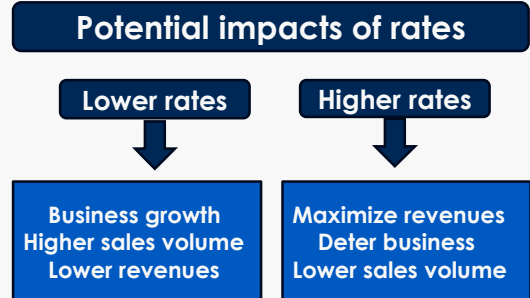
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CANNABIS TAX RESEARCH



Range: 4% - 15%
Average: 8%



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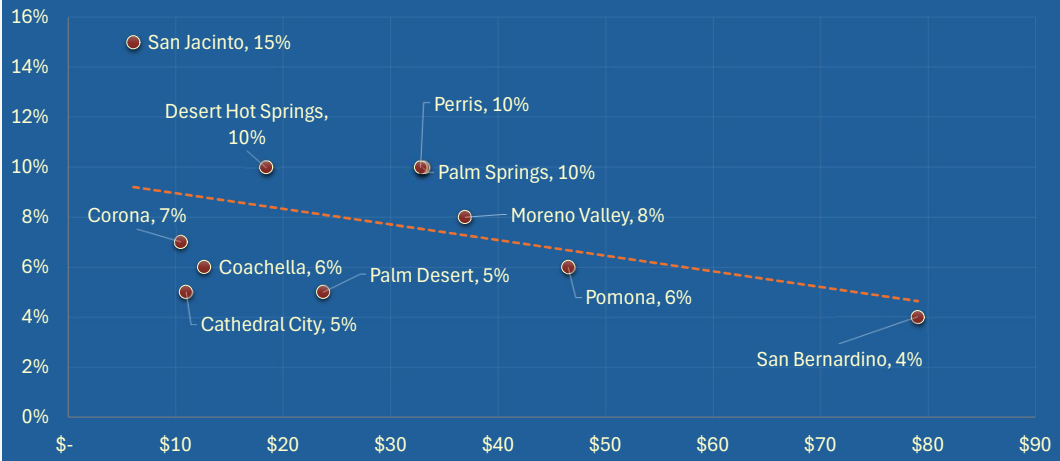


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CANNABIS TAX RESEARCH

2023 Retail Tax Rate vs. Total Sales (\$Millions)



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CANNABIS TAX RESEARCH

COUNTY OF RIVERSIDE RETAIL CANNABIS RESEARCH

| Agency | Calendar Year 2023 | | | |
|---------------------|--------------------|---------------|------------|--------------------------------|
| | Retail Tax Rate | Total Sales | Population | Active Storefront Dispensaries |
| Cathedral City | 5% | \$ 10,945,990 | 52,356 | 11 |
| Coachella | 6% | \$ 12,652,135 | 43,590 | 5 |
| Corona | 7% | \$ 10,468,886 | 160,238 | 8 |
| Desert Hot Springs | 10% | \$ 18,419,130 | 33,438 | 10 |
| Moreno Valley | 8% | \$ 36,915,284 | 212,392 | 15 |
| Palm Dessert | 5% | \$ 23,716,575 | 51,951 | 6 |
| Palm Springs | 10% | \$ 33,037,851 | 45,218 | 22 |
| Perris | 10% | \$ 32,826,381 | 80,603 | 10 |
| Pomona | 6% | \$ 46,526,751 | 145,502 | 4 |
| San Bernardino City | 4% | \$ 79,062,848 | 223,728 | 11 |
| San Jacinto | 15% | \$ 6,059,162 | 55,440 | 5 |



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NEXT STEPS

IMPLEMENTATION

- Upon approval, 8% Cannabis Business Tax effective immediately
- Detailed implementation plan:
 - Implementation of Riverside Municipal Code Chapter 5.78 (Cannabis Business Tax)
 - Development of cannabis business license tax registration form & cannabis business tax remittance form
 - Development of audit compliance requirements
 - Public communication with retail storefront businesses

NEXT STEPS

- Recommend future evaluation of Cannabis Business Tax rate for non-retail businesses (manufacturing, distribution, testing)
 - Upon development of permitting process for non-retail cannabis businesses



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STRATEGIC PLAN ALIGNMENT



STRATEGIC PRIORITY 3 - ECONOMIC OPPORTUNITY



STRATEGIC PRIORITY 5 - HIGH PERFORMING GOVERNMENT

CROSS-CUTTING THREADS



Community Trust



Equity



Innovation



Fiscal Responsibility



Sustainability and Resiliency



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RECOMMENDATIONS

That the Finance Committee:

1. Recommend that the City Council adopt a resolution adopting the previously approved Cannabis Business Tax at the rate of eight percent (8%) of gross receipts of all engaged in cannabis businesses in the City; and
2. Recommend that the City Council authorize the City Manager, or his designee, to implement the Cannabis Business Tax at the rate of eight percent (8%) of gross receipts of all engaged in cannabis businesses in the City.



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