

# RESOLUTION ADOPTING CANNABIS BUSINESS TAX

## FINANCE DEPARTMENT

**City Council**

October 22, 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

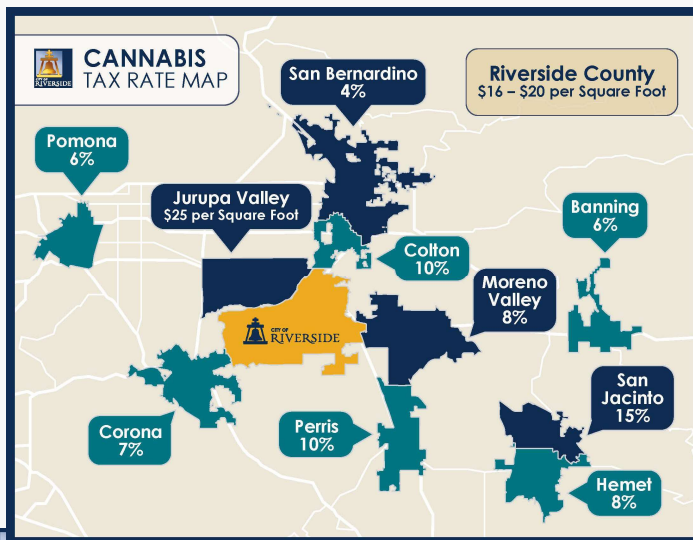
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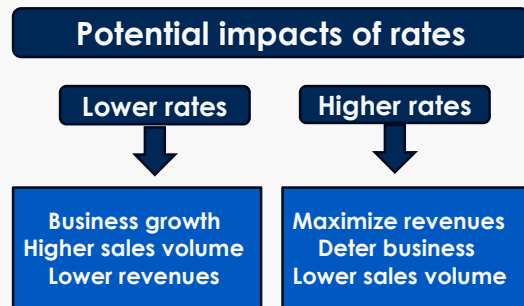
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# CANNABIS TAX RESEARCH



Range: 4% - 15%  
Average: 8%



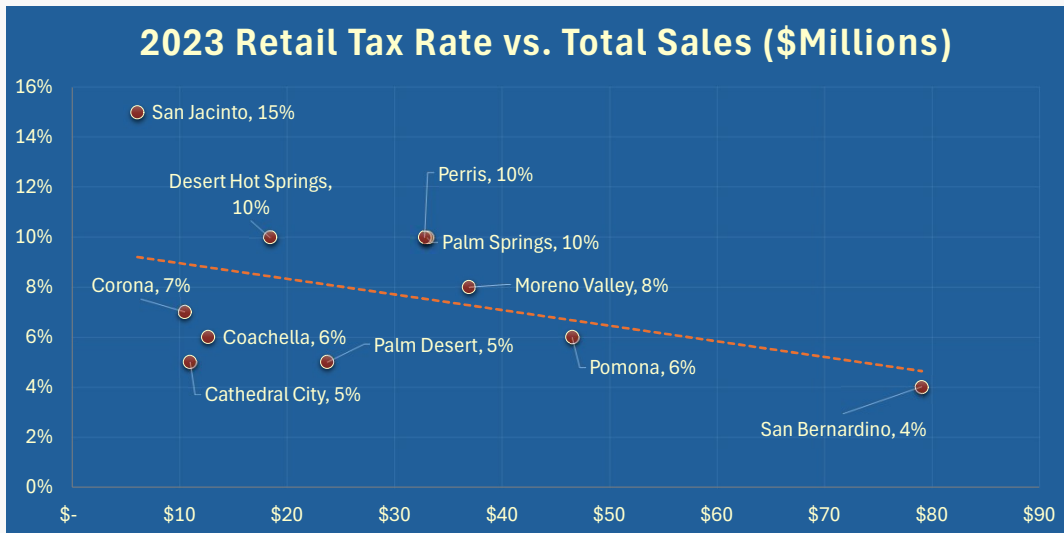
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# CANNABIS TAX RESEARCH



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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 City Council:

1. 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. 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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