

**Attachment 5  
Alternative Recommendations**

The Board can choose to give direction to act on the Ad Hoc Committee’s Proposal, the CAO’s recommendation or consider the following alternative measures, which are not necessarily exclusive.

To establish a baseline for comparison, all “Current Revenue” calculations are based on tax assessment estimates from cultivation permits issued as of December 20, 2021 (per All Approved Cannabis Permits Report issued by Planning & Building Department) and do not include any already delayed, waived or reduced assessments. Further, revenue projections do not include allowances for uncollectible taxes, although an increase in delinquent taxes is a likelihood under the current cannabis market conditions. Actual revenues will also vary based on adjustments to cultivation square footage and the fiscal year (FY) 2022-23 estimates will incorporate both adjustments made by your Board and an allowance for uncollectible taxes.

1. Consider temporary reduction of some percent the square footage Cannabis Cultivation Excise Tax equally for all farms. The table below summarizes several scenarios.

	Sun-grown	Mixed light	Indoor light	Total
Current Excise Tax per Sq Ft	\$ 1.084	\$ 2.169	\$ 3.255	
Total Cultivated Sq Ft	10,469,797	3,800,113	94,741	14,364,651
Estimated Annual Current Billings	\$ 11,349,260	\$ 8,242,445	\$ 308,382	\$ 19,900,087
25% Reduction in Sq Ft Tax	\$ 0.813	\$ 1.627	\$ 2.441	
\$ Amount of Revenue Reduction	\$ (2,837,315)	\$ (2,060,611)	\$ (77,095)	\$ (4,975,022)
50% Reduction in Sq Ft Tax	\$ 0.542	\$ 1.085	\$ 1.628	
\$ Amount of Revenue Reduction	\$ (5,674,630)	\$ (4,121,223)	\$ (154,191)	\$ (9,950,044)
75% Reduction in Sq Ft Tax	\$ 0.271	\$ 0.542	\$ 0.814	
\$ Amount of Revenue Reduction	\$ (8,511,945)	\$ (6,181,834)	\$ (231,286)	\$ (14,925,065)

2. Provide tax relief to all small (10,000 sq ft or less) cannabis farms, which accounts for 28% of the total legally cultivated square footage of Humboldt County.

	≤ 5,000 Sq Ft	5,001-10,000 Sq Ft	10,001-≤ 1 Acre (43,560 Sq Ft)	> 1 Acre	Totals
No. of Cultivators	190	367	337	20	914
Total Cultivated Sq Ft	701,852	3,285,460	7,685,079	2,692,260	14,364,651
% of Cultivated Land	5%	23%	53%	19%	100%
Sun-grown Sq Ft	504,808	2,281,575	5,946,182	1,737,232	10,469,797
Mixed light Sq Ft	145,234	992,205	1,707,646	955,028	3,800,113
Indoor light Sq Ft	51,810	11,680	31,251	-	94,741
Total	701,852	3,285,460	7,685,079	2,692,260	14,364,651
Total Current Revenue	\$ 1,030,866	\$ 4,663,338	\$ 10,251,267	\$ 3,954,615	\$ 19,900,087

	≤ 5,000 Sq Ft	5,001-10,000 Sq Ft	10,001-≤ 1 Acre (43,560 Sq Ft)	> 1 Acre	Totals
Total Current Revenue	\$ 1,030,866	\$ 4,663,338	\$ 10,251,267	\$ 3,954,615	\$ 19,900,087
Waive 100% for Small Farms (≤10,000 Sq Ft)	\$ -	\$ -	\$ 10,251,267	\$ 3,954,615	\$ 14,205,883
Revenue Reduction	\$ (1,030,866)	\$ (4,663,338)	\$ -	\$ -	\$ (5,694,204)
Waive 75% of Tax on Small Farms (≤10,000 Sq Ft)	\$ 257,716	\$ 1,165,835			\$ 1,423,551
Waive 25% of Tax on Large Farms (≥10,000 Sq Ft)			\$ 7,688,451	\$ 2,965,961	\$ 10,654,412
Revenue Reduction	\$ (773,149)	\$ (3,497,504)	\$ (2,562,817)	\$ (988,654)	\$ (7,822,124)

Waiving all excise tax for one year for all small farms (10,000 sq ft or less) would reduce revenues by \$5.7 million or 29%. Reducing the excise tax by 75% for small farms (10,000 sq ft or less) and by 25% for large farms (over 10,000 sq ft) would reduce revenues by \$7.8 million or 39%.

3. Forgive the second installment of the tax year 2020 excise tax assessment.

This would result in a 50% decrease in the assessed revenue or a \$9.7 million reduction. To be fair to cultivators who already paid the tax, it would be appropriate to refund those amounts, which would have a substantial negative impact on the current FY 2021-22 revenue. For the second half of the 2021 calendar year or the first six months of the FY 2021-22, excise tax collections were just \$2.3 million compared to the prior year's

collections of \$6.8 million. Refunding the second installment of 2020 and providing excise tax relief for tax year 2021 could result in eliminating all excise tax revenue for FY 2021-22.

4. For the tax year 2021, suspend the excise tax for the first 10,000 square feet of cultivation. The excise tax would remain in full for all square footage over 10,000 sq ft.

	≤ 5,000 Sq Ft	5,001-10,000 Sq Ft	10,001 ≤ 1 Acre (43,560 Sq Ft)	> 1 Acre	Totals
Total Current Revenue	\$ 1,030,866	\$ 4,663,338	\$ 10,251,267	\$ 3,954,615	\$ 19,900,087
Waive 100% for First 10,000 Sq Ft	\$ -	\$ -	\$ 6,307,748	\$ 3,532,229	\$ 9,839,977
Reduction	\$ (1,030,866)	\$ (4,663,338)	\$ (3,943,520)	\$ (422,386)	\$ (10,060,110)

This will result in a 51% reduction in revenue or \$10 million less than full assessment.

5. Do not suspend or reduce the current cannabis excise tax but instead invest additional funds in the Cannabis Economic Development programs under Project Trellis. The investment in technical support of cannabis businesses and a well-developed marketing plan to promote the Humboldt County brand and the benefits of the legal marketplace will help grow and sustain the cannabis industry in Humboldt County. If a significant portion of the Cannabis Cultivation Excise Tax is forgone for 2021 and 2022 tax years, the allocation to Project Trellis will be significantly reduced or even eliminated in future years.

The Board could also require cultivators who apply for and obtain the suspension/reduction, to participate in business support services through Project Trellis in order to increase the viability of businesses benefiting from the tax suspension. This would increase the odds that the cultivator survives and is able to pay the taxes in future years. The challenge is that these services would require additional funding that may need to come from another source.

6. Consider increasing funding for advocacy at the state level. Funding additional legislative advocacy for actions that will support the legal Cannabis Industry such as establishing a process for growers to create a cooperative, allow for sales directly from farms, extend trimming in residences, increase enforcement of the illegal market, and reforms to the amount of taxation and other administrative hurdles.
7. Implement the waiver/suspension program but for less than two calendar years, so that results can be evaluated, and adjustments made to respond to changes in the

cannabis market, possible reforms at the state and/or federal level, possible actions of other Northern California counties, and the impact to Humboldt County revenues and General Fund supported services.

8. Other direction provided by your Board.