



## COUNTY OF HUMBOLDT

AGENDA ITEM NO.

H-1

For the meeting of: September 19, 2017

Date: September 13, 2017  
To: Board of Supervisors  
From: Supervisor Estelle Fennell and Supervisor Ryan Sundberg  
Subject: Discussion of Prorated Collection of Excise Tax in the first year of approval for new cultivation sites.

### RECOMMENDATION(S):

Direct staff to implement prorated collection of excise tax for new cultivation sites in the first year of approval.

### SOURCE OF FUNDING:

N/A

### DISCUSSION:

Concern has been expressed with levying the full excise tax for new cultivation sites when the approval is only valid for a couple of months or weeks within a year. For instance a cultivation site approved in November of 2017 for an outdoor grow would technically be able to start site preparation work, and would be able to apply for a State License, but would not be able to plant or harvest in 2017. The question is whether they should pay a full years' worth of excise tax.

Signature

Signature

Prepared by \_\_\_\_\_

REVIEW:

Auditor \_\_\_\_\_ County Counsel \_\_\_\_\_ Human Resources \_\_\_\_\_

Other \_\_\_\_\_

TYPE OF ITEM:

☐ Consent  
☐ Departmental  
☐ Public Hearing  
☒ Other ☐ Board Initiated (10 minutes)

PREVIOUS ACTION/REFERRAL:

Board Order No. \_\_\_\_\_

Meeting of: \_\_\_\_\_

**BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT**  
Upon motion of Supervisor \_\_\_\_\_ Seconded by Supervisor \_\_\_\_\_

Ayes  
Nays  
Abstain  
Absent

**SEE ACTION SUMMARY**

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Kathy Hayes, Clerk of the Board

The current understanding in the way the ordinance is written is that the tax is levied in its entirety for the first year in which the approval is granted. The excise tax is on the privilege of being able to cultivate, which for new cultivation does not exist prior to the approval date. Prorating the tax would focus taxation on the period in which the privilege is granted.

Using the example cited above, currently a property owner for a new cultivation would owe \$10,000.00 in January 2018 (taxes for 2017) and \$5,000.00 in April of 2018 (for first installment 2018) without the ability to cultivate in 2017. An alternative approach would be to apply the excise tax to the time period in which the permit is effective. Proration could be based on the number of days, weeks or months during the year the permit is held during the year. Using days as the prorated measure, for an approval granted on November 2, 2017, the property owner would then pay excise tax in January 2018 for 60 days within 2017 amounting to \$1,538.48.

The applications for existing cultivation sites would pay taxes based upon the area being cultivated. If the permit seeks a permit to expand and have not expanded they would pay the tax on the existing cultivation area with the expanded area being taxed in subsequent years.

#### FINANCIAL IMPACT:

The Planning and Building Department is estimating that at least 400 permits will be issued by the end of the year. Many of the early permit approvals are related to new cultivation. In the example used above, the annual tax would be \$10,000.00, and the prorated tax would be \$1,538.48 (60 days of prorated tax.) This would result in a decrease in tax revenue of \$8,461.52 which spread over several hundred permits could result in a loss in tax revenue of over \$1,500,000.00.

#### OTHER AGENCY INVOLVEMENT:

None.

#### ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose to continue to impose the excise tax on an annual basis which requires no action.

#### ATTACHMENTS:

N/A