

BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT

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EUREKA, CALIFORNIA 95501 PHONE: (707) 476-2390

The Honorable Mike McGuire
California State Senate
State Capitol Building, Room 5061
Sacramento, CA 95814

RE: SB 1074 (McGuire) Cannabis: excise tax: cultivation tax - SUPPORT

Dear Honorable Senator McGuire,

On behalf of the County of Humboldt Board of Supervisors, we are pleased to support SB 1074 (McGuire), which would eliminate the state cannabis cultivation tax and provide overall tax relief for the cannabis industry and our community farmers.

Hundreds of small and independent cannabis farmers currently face a severe risk of being forced out of the licensed market due in large part to a collapse in wholesale market prices for cannabis flower, compounded by a flat weight-based cultivation tax which remains the same regardless of market conditions. These challenges are particularly hard for outdoor cannabis farmers, who typically have lower yields and sell products for lower prices.

While current market conditions have highlighted the inequity of the cultivation tax, many of the cultivation tax's limitations are inherent to a farm-based tax on an agricultural product. A single weight-based tax on "cannabis flower" cannot account for widely varying grades of flower, which can vary based on cultivation method, but also even on the cannabis produced by a single plant. Additionally, cultivation taxes are subject to complex calculation and recordkeeping requirements that impact the entire supply chain, increasing overhead costs and administrative complexity for both licensees and regulators.

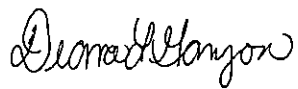
In addition to eliminating the state cultivation tax, SB 1074 would provide overall tax relief to the cannabis industry until January 1, 2026. This tax relief will provide significant benefit to licensed cannabis operators who continue to compete against an unlicensed market that is not required to bear costs for licensing, taxation, environmental compliance, and final product safety testing. State tax policy should encourage, not discourage, businesses from choosing to enter the licensed market.

Many of Humboldt's cultivators are homestead farmers, and cannabis is not just a business to them: it is their livelihoods and their way of life. A "business as usual" approach to cannabis policy and cannabis taxation risks severe socioeconomic impacts to these farmers and their communities more broadly. SB 1074 would establish a more sensible tax structure for licensed cannabis and would provide an essential lifeline for craft legacy producers who have chosen to step forward into the legal and regulated cannabis market.

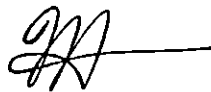
We support you in this effort to serve the many farmers of Humboldt County

Virginia Bass, Chair

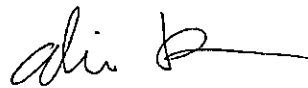
County of Humboldt



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Executive Director
Nevada County Cannabis Alliance



Michael Katz
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Joanna Cedar
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