

ORDINANCE NO. 1813 N.C. (2d)

**AMENDING CHAPTER 5.05 OF THE
VALLEJO MUNICIPAL CODE SETTING
MARIJUANA BUSINESS LICENSE TAX RATES**

WHEREAS, the voters of the City of Vallejo (the "City") adopted a marijuana business license tax (the "Tax") by initiative and the same is currently codified at Chapter 5.05 of the Vallejo Municipal Code; and

WHEREAS, the Tax was set at a maximum of 10 percent of gross proceeds of any marijuana business; and

WHEREAS, the City hired HdL to conduct a fiscal analysis of the current marijuana tax; and

WHEREAS, City staff provided a study session to the City Council about the current marijuana tax; and

WHEREAS, the Tax allows for the City Council to set rates lower than 10 percent of gross proceeds and to set different rates for different types of marijuana businesses as long as the tax is never greater than 10 percent; and

WHEREAS, HdL determined that a lower rate of tax would stabilize marijuana businesses and provide greater opportunities for such businesses without significantly affecting the City of Vallejo; and

WHEREAS, the City Council desires to adopt a tax system that is fair and reasonable to business as well as to the residents of the City.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF VALLEJO DOES ORDAIN AS FOLLOWS:

Chapter 5.05 MARIJUANA BUSINESS LICENSE TAX

SECTION 1. Vallejo Municipal Code Section 5.05.020 is hereby amended as follows:

5.05.020 Definitions.

The definitions set forth in this part shall govern the application and interpretation of this chapter. Unless a different definition is set forth below or in Chapter 16.06 of the Vallejo Municipal Code, whenever cannabis industry-related words or phrases appear in this chapter, they shall be given a meaning that is consistent with the definitions contained in Cal. Bus. & Prof. Code section 26001.

SECTION 2. Section 5.05.110 of the Vallejo Municipal Code is hereby amended to read as follows:

5.05.110 Marijuana business.

The term "marijuana business" means business activity including, but not limited to, planting, cultivation, harvesting, distribution, selling, transporting, manufacturing, infusing, compounding, converting, processing, preparing, storing, packaging, re-packaging, labeling, re-

labeling, wholesale, delivery and/or retail sales of marijuana and any ancillary products in the city, whether or not carried on for gain or profit.

- A. "Cannabis business retail" is a store or business engaged in authorized retail sales of adult-use and medicinal cannabis goods.
 - 1. "Medicinal cannabis" means cannabis sold for use by a person who possesses a California Medical Marijuana Identification Card.
 - 2. "Adult Use cannabis" means cannabis sold for recreational purposes for use by a person who is 21 years of age or older.
- B. "Cannabis cultivation" is the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.
- C. "Cannabis distribution" is the procurement, sale and transport of cannabis and cannabis products between persons who have the required State and Local licenses and permits.
- D. "Cannabis manufacturing" refers exclusively to the non-volatile production, preparation, propagation, or compounding of cannabis or cannabis products whether done directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, at a fixed location. This classification also includes infusion, consisting of the direct incorporation of cannabis, cannabinoids, or cannabis concentrates into an edible, topical or other product to produce a cannabis product as well as the packaging or repackaging of cannabis or cannabis products and the labeling or re-labeling of cannabis containers.
- E. "Cannabis testing laboratory" means a testing laboratory, facility, or entity which offers or performs tests of cannabis, cannabis concentrate or cannabis products to determine chemical profile, the presence of contaminants, or other similar information.

SECTION 3. Section 5.05.250 of the Vallejo Municipal Code is hereby amended to read as follows:

5.05.250 Amount of business tax owed.

- A. In addition to the business tax imposed under Chapter 5.04 of this code and the requirements set forth therein, every person engaged in marijuana business in the city shall pay a business tax at a rate of up to ten percent of gross receipts. The tax under this chapter shall not be imposed on marijuana businesses unless and until the city council, by ordinance, takes action to set a tax rate not to exceed ten percent of gross receipts.
- B. Notwithstanding the maximum tax rate of ten percent of gross receipts imposed under Subsection A., the city council may, in its discretion, at any time by ordinance, implement a lower tax rate for all marijuana businesses or establish differing tax rates for different categories of marijuana businesses, as defined in such ordinance, subject to the maximum rate of ten percent of gross receipts. The city council may, by ordinance, also increase any such tax rate from time to time, not to exceed the maximum tax rate of ten percent of gross receipts in accordance with subsection A. above.
- C. Commencing on July 1, 2019, every person engaged in marijuana business in the city shall pay a marijuana business tax on gross receipts. Pursuant to subsection A. and B. above, the city council sets the marijuana business tax rate by industry type as follows:
 - 1. The marijuana business tax rate for retail sales of adult use cannabis shall be set at a rate of seven percent of gross receipts.
 - 2. There shall be no marijuana business tax rate for retail sales of medicinal cannabis.
 - 3. The marijuana business tax rate for cannabis cultivation shall be set at a rate of five percent of gross receipts.

3. The marijuana business tax rate for cannabis cultivation shall be set at a rate of five percent of gross receipts.
 4. The marijuana business tax rate for cannabis manufacturing shall be set at a rate of five percent of gross receipts.
 5. The marijuana business tax rate for cannabis distribution shall be set at a rate of two percent of gross receipts.
 6. There shall be no marijuana business tax rate for cannabis testing laboratory services.
- D. Beginning September 20, 2015, no marijuana business tax shall be accepted by the city from any marijuana business that does not comply with Chapter 7.100.

SECTION 4. Severability.

If any section, subsection, sentence, clause, phrase or word of this ordinance is for any reason held to be invalid by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have passed and adopted this ordinance, and each and all provisions hereof, irrespective of the fact one or more provisions may be declared invalid.

SECTION 5. Effective Date.

First read at a regular meeting of the Council of the City of Vallejo held on the 9th day of April 2019 and finally adopted at a regular meeting of the Council of the City of Vallejo on the 23rd day of April 2019 by the following vote:

AYES: Mayor Sampayan, Vice Mayor Pippin, Councilmembers Dew, Brown, McConnell, Miessner, Sunga, and Verder-Aliga
NOES: None
ABSENT: None
ABSTAIN: None

ATTEST:


PIPPIN DEW, VICE MAYOR


DAWN G. ABRAHAMSON, CITY CLERK