

## IMPARTIAL ANALYSIS FROM CITY ATTORNEY

### City of Montclair 2022 General Montclair Cannabis Business License Tax

If adopted by a majority of the voters, Measure "R" (Ordinance 22-999) would enact a general business license tax on cannabis businesses in an amount not to exceed seven percent (7%) of gross receipts of cannabis businesses in the City of Montclair. On August 1, 2022, the City Council voted to place Measure "R" on the November 8, 2022 general municipal election ballot. Currently, there is no cannabis business license tax in the City.

The gross receipts tax would be imposed on every person who engages in cannabis business in the City. Specifically, the tax would be imposed on every person who engages in (1) commercial cannabis cultivation, (2) the operation of a testing laboratory for cannabis or cannabis products, (3) the retail sales of cannabis as a retailer (dispensary) or non-store front retailer (delivery business), or microbusiness (retail sales activity), (4) cannabis distribution business for cannabis or cannabis products, or (5) cannabis manufacturing, processing, or microbusiness (non-retail activity) or any other type of cannabis business. The initial cannabis tax rate is set at zero dollars. The City Council may increase the tax rate up to seven percent (7%) once the City Attorney determines that commercial cannabis activities in the City are lawful. If the rate is increased to seven percent (7%), it is estimated to generate about \$3.5 million in revenue annually.

All revenue generated from the proposed cannabis business license tax would be deposited into the City's General Fund, and used by the City to pay for general City operations and services including, but not limited to, fire and police protection, 911 emergency response, recruiting and retaining firefighters and police officers, retaining local business and jobs, street and infrastructure maintenance, assistance for individuals experiencing homelessness, youth after-school and summer recreational programs, senior citizen programs, planning and engineering services, capital improvements projects, operational expenses, and general obligations of the City. As such, this ballot measure proposes a "general purpose tax," rather than a "special purpose tax." The measure requires a simple majority vote (50% plus 1) for adoption.

Measure "R" requires an annual audit by an independent auditor of the receipt and expenditures of the revenue generated by the proposed cannabis business license tax to ensure compliance with the requirements of the ballot measure.

A "yes" vote on Measure "R" will enact a gross receipts business license tax on cannabis businesses operating within the City.

A "no" vote on Measure "R" will not enact a gross receipts business license tax on cannabis businesses operating within the City.

**The above statement is an impartial analysis of Ordinance No. 22-999. If you desire a copy of the ordinance, please call the election official's office at (909) 625-9416 and a copy will be mailed at no cost to you, or you may access the text from the internet at [www.cityofmontclair.org/2022-election/](http://www.cityofmontclair.org/2022-election/).**

*Aleane Robinson, City Attorney*