

IMPARTIAL ANALYSIS

The following impartial analysis of the measure was prepared by the office of the Merced City Attorney:

Measure Y was placed on the ballot by the City of Merced City Council asking voters to consider a Commercial Cannabis (marijuana) Business Tax of up to 10% on gross receipts or \$25 per square foot of cultivation space, whichever is greater, on all permitted commercial cannabis businesses in Merced. Specifically, the proposed Commercial Cannabis Business Tax would impose a tax up to the maximum of:

Gross receipts up to a maximum of 7% on medicinal retail and 10% on adult use retail;

\$25 per square foot on manufacturing;

The greater of 10% or \$25 per square foot on indoor cultivation;

\$4 per square foot on nurseries;

The greater of 10% or \$5 per square foot on distribution, and

\$1 per square foot on testing.

Currently, the Merced Municipal Code only allows four commercial cannabis dispensaries to operate within the City of Merced. The Commercial Cannabis Business Tax would not change this.

The Commercial Cannabis Business Tax would apply to any business activity involving the cultivating, manufacturing, processing, storing, laboratory testing, labeling, packaging, transporting, distributing, delivering, or sale of adult-use or medicinal cannabis or adult-use or medicinal cannabis products by commercial cannabis businesses in Merced. The Commercial Cannabis Business Tax would not apply to the legal cultivation of cannabis for personal medicinal or adult use allowed under the Merced Municipal Code and state law. The tax is only on commercial cannabis businesses and it is not a sales tax imposed on individuals purchasing adult-use or medicinal cannabis.

Measure Y, if enacted by the voters, would raise revenue for specific governmental purposes for the City of Merced and not for purposes of regulation. The City has estimated that tax proposed by Measure Y would raise approximately \$1,000,000 annually. All of the proceeds from the tax imposed by Measure Y shall be used exclusively to fund local fire and police protection services and park and recreation services and cannot be spent for any other purpose. Under Measure Y, local police, fire protection and parks/recreation services shall each receive a minimum of twenty percent (20%) of the tax revenues annually. The effect of this additional restriction on the proposed tax on future City budgets has not been determined.

The tax would continue until repealed by the voters or by the City Council. The tax could be set at a lower rate by action of the City Council, but cannot be increased without the approval of the voters.

A “Yes” vote on Measure Y would approve the Commercial Cannabis Business Tax and authorize the City to impose a Commercial Cannabis Business Tax. A “No” vote would reject the Commercial Cannabis Business Tax. Measure Y would be approved if it receives two-thirds of “Yes” votes.

Jolie Houston, Merced Interim City Attorney

The entire text of Measure Y will be printed in the Voter Information Guide for the June 5, 2018 election.