

RESOLUTION NO. 2023-21

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ENCINITAS
SETTING FORTH THE SPECIFIC TAX RATES OF THE CANNABIS BUSINESS
TAX PURSUANT TO ENCINITAS MUNICIPAL CODE CHAPTER 3.28**

The City Council of the City of Encinitas hereby finds and declares as follows:

WHEREAS, Sections 37101 and 37100.5 of the California Government Code authorize the City of Encinitas to levy a license tax, for revenue purposes, upon business transacted in the City; and

WHEREAS, on November 8, 2022, the voters of the City of approved a City sponsored ballot measure known as the City of Encinitas Cannabis Business Tax Measure (“Measure L”); and

WHEREAS, Measure L allows the City to adopt one or more ordinances to impose a Cannabis Business Tax, for revenue purposes, pursuant to sections 37101 and 37100.5 of the California Government Code, upon cannabis and hemp businesses that engage in business in the City; and

WHEREAS, the City has adopted Ordinance No. 2023-03 in order to codify the Cannabis Business Tax at Chapter 3.28 of Title 3 of the Encinitas Municipal Code; and

WHEREAS, the Cannabis Business Tax shall be levied based upon business gross receipts at rates of between four to seven percent (4% to 7%) on retail cannabis uses, one to four (1% to 4%) on non-retail uses, except for commercial cannabis cultivation or commercial industrial hemp cultivation which shall be taxed on square footage at rates of between two to ten dollars (\$2 to \$10) per square foot of canopy area; and

WHEREAS, the specific tax rate or rates as limited by Measure L may be set by ordinance or resolution of the City Council; and

WHEREAS, the City Council desires to set forth the specific tax rates allowed by Measure L by resolution.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ENCINITAS DOES
HEREBY RESOLVE AS FOLLOWS:**

Section 1. Recitals. The City Council hereby finds and determines that the foregoing recitals are true and correct.

Section 2. Tax Rates.

- A. Retail cannabis businesses, including but not limited to store-front retail and non-storefront retail (delivery) shall be taxed at a rate of 7% of gross receipts.
- B. Non-retail cannabis businesses, including but not limited to manufacturing, distribution and cannabis kitchens, shall be taxed at a rate of 4% of gross receipts.
- C. Commercial cultivation of cannabis and/or hemp shall be taxed at a rate of \$10 per square footage of canopy area.

Section 3. California Environmental Quality Act. The City Council hereby finds and determines that this Resolution is exempt from the California Environmental Quality Act, Public Resources Code Sections 21000 et seq. ("CEQA") and 14 Cal. Code Re. Sections 15000 et seq. ("CEQA Guidelines"). This Resolution is not a project within the meaning of CEQA because it creates a government funding mechanism that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment, pursuant to CEQA Guidelines section 15378(b)(4). Further, it can be seen with certainty that this Resolution will not have a significant effect on the environment and is therefore exempt pursuant to section 15061(b)(3).

Section 4. Effective Date. This Resolution shall be effective immediately upon adoption.

Section 5. Certification. That the City Clerk shall certify to the passage and adoption of this Resolution as required by law.

PASSED AND ADOPTED this 12th of April 2023, by the City Council of the City of Encinitas, State of California.

DocuSigned by:
A.J. Kranz
DEA18C6BB88E438
Tony Kranz, Mayor

ATTEST:

DocuSigned by:
Kathy Hollywood
43EC68034D2448C
Kathy Hollywood, City Clerk

APPROVED AS TO FORM:

DocuSigned by:
Tarquin Preziosi
160D9969759741D
Tarquin Preziosi, City Attorney

I, Kathy Hollywood, City Clerk of the City of Encinitas, California, do hereby certify under penalty of perjury that the foregoing Resolution 2023-21 was duly adopted at a regular meeting of the City Council on the 12th of April 2023, by the following vote:

AYES: **Blackwell, Ehlers, Hinze, Kranz, Lyndes**
NAYS: **None**
ABSENT: **None**
ABSTAIN: **None**

DocuSigned by:
Kathy Hollywood
43EC68034D2448C...
Kathy Hollywood, City Clerk