

**IMPARTIAL ANALYSIS
BY THE CITY ATTORNEY
MEASURE G**

This measure has been placed on the ballot by the San Rafael City Council. If approved by the voters, this measure would adopt a new “Cannabis Industry Tax” ordinance authorizing the City Council to impose an annual special business tax upon commercial cannabis (marijuana) businesses located within the City of San Rafael.

In 2015, the California legislature enacted the “Medical Cannabis Regulation and Safety Act” which established a state licensing framework for medicinal cannabis businesses. In 2016, California voters passed Proposition 64, the “Adult Use of Marijuana Act”, legalizing adult recreational use of cannabis and requiring state regulation of adult recreational cannabis businesses. Both laws allow local regulation of cannabis businesses, and the San Rafael City Council recently adopted a new ordinance and a pilot program to authorize and regulate a limited number of cannabis testing laboratories, medical cannabis infused product manufacturers, and medical cannabis delivery businesses within the City.

If approved by the voters, this measure would authorize the City Council to impose a special excise tax on the gross receipts of City-licensed cannabis businesses, in lieu of the business license tax imposed on other San Rafael businesses. The measure sets a maximum cannabis business tax rate of eight percent (8%) of the business’s gross receipts. Subject to this maximum, the City Council would be authorized to establish the exact rate by resolution without further voter approval, and to set different tax rates for different types of cannabis businesses. The City Council may decrease or increase the tax rates, up to the maximum rate, as often as every two

years. As legal cannabis businesses are new, the City anticipates that it may take some time for the revenues from the cannabis business tax to reach their estimated potential of approximately \$1 million per year.

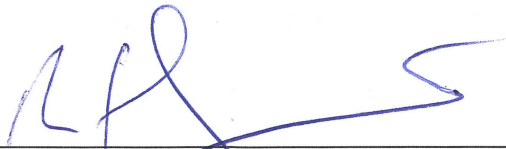
Each cannabis business would be required to register with the City of San Rafael's tax collector and obtain a Certificate of Registration, then to submit a tax return for every calendar quarter and pay the taxes owing at that time. The tax collector is authorized to audit the records of any cannabis business in the City. Businesses will be subject to penalties and interest on delinquent payments.

This measure is a special tax, and the proceeds of the tax may be used only in San Rafael, for the purposes set forth in the measure, namely, to enhance city police and fire services; repair potholes and maintain city streets; enhance city community centers; and administer a cannabis business regulation and oversight program. The details of the oversight program, expected to include independent citizen review, are not contained in the ordinance and must be adopted separately by the City Council.

To pass, this measure must be approved by two-thirds of the electors voting at the election, and if so approved, will stay in effect unless and until it is repealed.

A **YES** vote approves the measure.

A **NO** vote rejects the measure.



Robert F. Epstein
City Attorney of San Rafael