

## **CITY AUDITOR'S IMPARTIAL FINANCIAL ANALYSIS OF MEASURE F**

### **SUMMARY**

Measure F authorizes the City of Oakland to modify the business tax, Chapter 5.04 of the Oakland Municipal Code by adding Section 5.04.480, which would create a new "Cannabis" business classification. Oakland's existing business tax category list does not contain a specific tax category for cannabis businesses, since permitted cannabis dispensaries did not exist at the time the business tax system was created.

Under the proposed cannabis business classification, cannabis businesses will be taxed at a rate of \$18 per \$1,000 of gross receipts. The amendment will tax cannabis business activity generating gross receipts from planting, cultivation, harvesting, transporting, manufacturing, compounding, converting, processing, preparing, storing, packaging, wholesale, and retail sales of marijuana and its derivatives.

Since 1996, when California voters authorized the use of cannabis for medical purposes, cannabis businesses have been paying the general retail business tax rate of \$1.20 per \$1,000 of gross receipts, rather than under a specific category.

If Measure F is approved by a majority of voters, the new cannabis business classification and tax rate will be effective beginning January 1, 2010.

### **FINANCIAL IMPACT**

In Calendar Year (CY) 2007 and CY 2008, there were four cannabis dispensaries licensed with the City of Oakland. Gross receipts from the dispensaries for each fiscal year were \$17,918,000 and \$19,673,000 respectively. Under the general retail business tax rate of \$1.20 per \$1,000, business tax revenues from the dispensaries for each calendar year were \$21,500 and \$23,608 respectively.

For CY 2010, the City projects the same number of licensed cannabis dispensaries and estimated gross receipts of \$17,500,000. As a result, the new business tax classification and tax rate for cannabis facilities is estimated to generate \$294,000 in additional annual revenue, as shown in the table below.

<b>Calendar Year</b>	<b>Projected Cannabis Business Gross Receipts</b>	<b>Annual Revenue based on \$1.20 per \$1,000 (A)</b>	<b>Annual Revenue based on \$18 per \$1,000 (B)</b>	<b>Estimated Increase in Revenue under Proposed Ordinance (B-A)</b>
2010	\$17,500,000	\$21,000	\$315,000	\$294,000

The estimated increase in revenue will be deposited into the general fund for general fund purposes. The ballot measure does not earmark the increased revenue for any specific purpose.

Based on our analysis of the data provided by City staff, the projected revenues appear reasonable. We relied on the best data available at this time, however actual results may vary from our estimates.

s/COURTNEY A. RUBY, CPA  
City Auditor