

City Attorney's Impartial Analysis

If approved by a majority of the voters, Measure M would authorize a new business license tax on cannabis businesses operating within the City of Oceanside. The Measure allows the City Council to impose a tax up to 6 percent of the gross receipts generated by cannabis retailers, manufacturers and distributors. The proposed business license tax for commercial cannabis cultivators would be no higher than 3.5 percent of gross receipts.

This Measure does not modify the City's current regulations for opening a cannabis business. Current City law requires applicants for cannabis businesses to obtain a local license from the City Manager and a conditional use permit from the City Council. A cannabis business must also secure a license from the state of California to operate legally.

Current City law does not impose any taxes specific to the cannabis industry aside from business license taxes that apply to all businesses in the City.

Measure M was placed on the ballot by the City Council and proposes to amend the Oceanside City Code to impose a new business license tax on specified cannabis businesses. Under the proposed Measure, the City Council can impose a business license tax up to 6 percent of the gross receipts of cannabis retailers, manufacturers and distributors. Furthermore, Measure M permits the City Council to impose a business license tax up to 3.5 percent of gross receipts for cannabis cultivators. Any increase in tax rates above those specified in Measure M would require additional voter approval.

The City sales tax consultant estimates Measure M would generate approximately \$1.9 million annually assuming the City Council sets the initial rates as recommended by the City Manager. The City Manager has recommended initial taxes rates based upon gross receipts below the maximum rates as follows: 2.5 percent for cultivators, 3 percent for distributors, 4 percent for manufacturers and 5 percent for retailers. If the City Council imposes the maximum tax rates allowed by Measure M, the City's sales tax consultant estimates Measure M could generate approximately \$2.9 million annually. However, it is unclear how many businesses would locate in Oceanside if the maximum tax rates are imposed by the City Council.

Measure M contains detailed provisions for the calculation, reporting and payment of taxes owed. The City Manager is authorized to administer and enforce its provisions, including the authorization to audit records, verify tax returns, and impose penalties for non-compliance.

Measure M is proposed as a general tax. This means that the City Council will have discretion to spend Measure M revenues on any lawful municipal purpose, including but not limited to, enforcement efforts against illegally operating cannabis businesses.

The above statement is an impartial analysis of Measure M. If you desire a copy of the proposed City Code amendment, please call the City Clerk's office at (760) 435-3001 and a copy will be mailed at no cost to you. You can also access the full text of the proposed City Code amendment at the following website:

<https://www.ci.oceanside.ca.us/civicax/filebank/blobdload.aspx?BlobID=53058>

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