



Memorandum

TO: SAN JOSE CITY COUNCIL

FROM: Dave Hodges
Founder, SJCBC LLC

SUBJECT: Medical Cannabis/Marijuana Tax

DATE: 7/30/10

RECOMMENDATION:

With regards to proposed Cannabis gross receipts tax.

We recommend the proposed tax rate on Medical Cannabis Retail businesses (dispensaries) be set at a maximum rate of 3%, and that a tax rate on Adult Use Cannabis businesses to be set separately at up to 5%. In addition, we recommend the following modifications to the current proposal:

1. MODIFY Section 4.66.250 "Amount of Businesses Tax Owed"
 - ADD the verbiage "up to"
 - CHANGE the verbiage "ten percent 10%" to "three percent (3%) of gross receipts"
2. MODIFY Section 4.66.300 "Payment - Penalty for Delinquency" ITEM "C"
 - ADD the verbiage ", or from the first operative date of this Chapter"
3. REMOVE COMPLETELY Section 4.66.510 Rules and Regulations
4. MODIFY Section 4.66.530 "Audit and Examination of Records and Equipment"
 - Remove the verbiage "and, where necessary, all equipment, of any person engaged in marijuana business in the City, for the purpose of ascertaining the amount of business tax, if any, required to be paid by the provisions hereof, and for the purpose of verifying any statements or any item thereof when filed by any person pursuant to the provisions of this Chapter.:"
5. REMOVE COMPLETELY Section 4.66.550 "Deficiency Determinations"
6. REMOVE COMPLETELY Section 4.66.600 "Violation Deemed Misdemeanor – Penalty"
7. MODIFY Section 4.66.630 "Effect of State and Federal Reference/Authorization"
 - REMOVE the verbiage "and federal" & "or federal"

Attached are the affected pages, A-10, A-13, A-16, A-18, A-19, A-21, A-22, additions/changes are in **blue** and removals are **Red and crossed out**