

RESOLUTION NO. 2023-005

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM
DESERT, CALIFORNIA, REVISING CANNABIS BUSINESS TAX RATES

WHEREAS, on October 26, 2017, the Palm Desert City Council ("City Council") of Palm Desert ("City") approved Ordinance No. 1329 allowing for commercial cannabis related land-uses including cultivation, manufacturing, testing and research, distribution, delivery, and retail sales of cannabis within the City; and

WHEREAS, on December 13, 2018, the City Council at a regularly held City Council meeting adopted Resolution No. 2018-61 calling for the placement of a General Tax Measure on the ballot for the November 6, 2018, General Municipal Election for the submission to qualified voters of a proposed ordinance establishing a tax on cannabis businesses operating within the City of Palm Desert ("Cannabis Tax Measure"); and

WHEREAS, the Cannabis Tax Measure passed by a majority vote of the People on November 6, 2018; and

WHEREAS, the Cannabis Tax Measure added Chapter 3.50 *Cannabis Business Tax* to the City of Palm Desert Municipal Code ("Municipal Code"); and

WHEREAS, Municipal Code Chapter 3.50 provides that tax rates can be set at a maximum of (1) twenty dollars (\$20) per square foot of space utilized in connection with cannabis cultivation business, (2) three (\$0.03) cents for each one dollar (\$1) of gross receipts, or a fractional part thereof, for cannabis manufacturing businesses, and (3) fifteen (\$0.15) cents for each one dollar (\$1) of gross receipts, or a fractional part thereof for cannabis retail businesses; and

WHEREAS, as allowed by Proposition 218, Municipal Code Chapter 3.50 further provides that the City Council may impose the tax detailed above at a lower rate without a vote of the People; and

WHEREAS, at the regularly held City Council meeting on December 13, 2018, the City Council adopted the tax rates at (1) thirteen dollars (\$13) per square foot of space utilized in connection with cannabis cultivation businesses, (2) two (\$0.02) cents for each dollar (\$1) of gross receipts for cannabis manufacturing businesses, and (3) ten (\$0.10) cents for each dollar (\$1) of gross receipts for cannabis retail businesses; and

WHEREAS, at the regularly held City Council meeting on December 13, 2018, the City Council agreed to set Initial cannabis business tax rates by adoption of Resolution 2018-61 in the event the Cannabis Tax Measure passed; and

WHEREAS, at the regularly scheduled City Council meeting held on December 13, 2018, City Council adopted Ordinance 1339 incorporating tax rates for Cannabis Businesses; and

WHEREAS, the City Council now wishes to revise the adopted tax rates for cannabis businesses operating within the City by Resolution; and

WHEREAS, over the last two years the cannabis industry has seen a decrease in sales due to over saturation; and

WHEREAS, cannabis operators in the City have voiced their concern and have advocated for a decrease in City tax rates, as these are in addition to the excise tax rates already set and approved by State of California

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Palm Desert, California, as follows:

SECTION 1. Incorporation of Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

SECTION 2. Cannabis Business Tax Rates. Pursuant to Section 3.50.030 and 3.50.050 of the Municipal Code, the City Council of the City of Palm Desert hereby sets the tax rates for cannabis businesses as follows:

A. Ten dollars (\$10) per square foot of space utilized in connection with cannabis cultivation businesses.

B. Two (\$0.02) cents for each \$1.00 of gross receipts for cannabis manufacturing businesses; and

C. Five (\$0.05) cents for each \$1.00 of gross receipts for cannabis retail businesses.

SECTION 3. CEQA. The City Council hereby finds and determines that this Resolution relates to organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment, and therefore is not a project within the meaning of the California Environmental Quality Act ("CEQA") and the State CEQA Guidelines, Section 15378(b)(5).

SECTION 4. Severability. If any provision of this Resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the Resolution which can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The City Council hereby declares that it would have adopted this Resolution irrespective of the invalidity of any particular portion thereof.

SECTION 5. Effective Date of Resolution. This Resolution shall take effect March 1, 2023.

ADOPTED ON FEBRUARY 16, 2023.



Kathleen Kelly (Feb 17, 2023 09:46 PST)

KATHLEEN KELLY
MAYOR

ATTEST:



Anthony Mejia (Feb 17, 2023 09:50 PST)

ANTHONY J. MEJIA
CITY CLERK

I, Anthony J. Mejia, City Clerk of the City of Palm Desert, hereby certify that Resolution No. 2023-005 is a full, true, and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Desert on February 16, 2023, by the following vote:

AYES: HARNIK, NESTANDE, QUINTANILLA, TRUBEE, AND KELLY
NOES: NONE
ABSENT: NONE
ABSTAIN: NONE
RECUSED: NONE

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Palm Desert, California, on Feb 17, 2023.



Anthony Mejia (Feb 17, 2023 09:50 PST)

ANTHONY J. MEJIA
CITY CLERK










Res 2023-005 - Revised Cannabis Tax Rates

Final Audit Report

2023-02-17

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