



**Date:** September 19, 2016  
**To:** Mayor and Members of the City Council  
**From:** Patrick H. West, City Manager *T.M.W.*  
**Subject:** Measure MA Summary and Presentation

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Attached for your reference is a "Frequently Asked Questions (FAQ)" summary concerning the Long Beach Marijuana Tax Measure (Measure MA) appearing on the November 8, 2016 ballot. Also attached, as an informational document, is a copy of the presentation the Mayor and City staff shared with the media today. Both the FAQ summary and the presentation have been reviewed and approved by the City Attorney, and they can be used to provide information regarding the ballot measure. City staff are not permitted to advocate for the measure, or use City resources for the purposes of advocacy, but are permitted to provide unbiased information.

Please let me know if you require additional information.

PHW:TM:gh

ATTACHMENTS

CC: CHARLES PARKIN, CITY ATTORNEY  
LAURA L. DOUD, CITY AUDITOR  
DOUGLAS P. HAUBERT, CITY PROSECUTOR  
TOM MODICA, ASSISTANT CITY MANAGER  
ARTURO SANCHEZ, DEPUTY CITY MANAGER  
REBECCA JIMENEZ, ASSISTANT TO THE CITY MANAGER  
DEPARTMENT HEADS

# Measure MA

City of Long Beach Marijuana Tax

November 2016

# What is Measure MA?

- Sets a gross receipts tax for sales of both medical and recreational marijuana, and establishes a tax on marijuana cultivation, processing, testing and distribution in the City
- Measure MA does not determine if medical and recreational marijuana should be allowed in Long Beach

# How would the Measure MA Revenue be spent?

- Measure MA is a general tax to fund City services such as:
  - Public Safety (Police and Fire)
  - 911 emergency response
  - Regulation of the marijuana industry
  - Homeless assistance programs
- It is estimated that Measure MA would raise approximately \$13 million annually, if both medical and recreational marijuana sales were allowed in Long Beach

# Who pays the Measure MA tax?

- Only those purchasing marijuana at a dispensary and marijuana businesses pay the tax
- General members of the community who do not purchase, cultivate, test, or process marijuana will not pay any additional taxes

# What are the other measures on the ballot related to marijuana?

- Measure MM is an initiative ordinance placed on the ballot by citizen petition. It specifies how medical marijuana businesses will be allowed to operate in Long Beach, if approved by the voters
- Proposition 64 is a statewide ballot measure to legalize recreational marijuana in California

# Why did the City Council put Measure MA on the ballot?

- Should Long Beach voters approve medical or recreational marijuana, the City would need significant financial resources to properly regulate the industry
- It would be necessary to spend approximately \$12 million annually -- on medical marijuana alone – to cover the regulatory, enforcement, and health and safety costs
- Measure MM will not fully offset these costs
- The City Council placed this competing measure on the ballot for voters to consider

# Do other cities tax marijuana?

- Long Beach studied 16 other California cities for their tax rates
- These cities tax the marijuana industry at different rates, with rates up to 15% of gross receipts
- The rates proposed under Measure MA would be at approximately the midpoint



# What are the specific tax rates under Measure MA?

- Medical marijuana sales would be taxed at 6-8% of gross receipts, initially set at 6%
- Recreational marijuana sales would be taxed at 8-12% of gross receipts, initially at 8%
- Distributing, processing, transporting, or testing of marijuana (when not performed by the dispensary that also sells the final product to customers) would be taxed at 6-8% of gross receipts, initially set at 6%
- Cultivation of marijuana would be taxed at \$12-15 per square foot, initially set at \$12 per square foot

# What happens if Measure MA is not approved?

- If voters approve Measure MM to allow medical marijuana, and do not pass Measure MA, the revenue the City would receive would be lower:
  - Recreational Marijuana would not be taxed
  - Manufacturing, transportation, testing and distribution would pay a maximum of \$1,000 rather than a gross receipts tax

# What happens if both Measure MA and Measure MM pass?

- If both pass, medical marijuana will be allowed to operate in the City of Long Beach, subject to those regulations contained in Measure MM
- The City's tax rate will depend on which of the two Measures receives more votes
- The Measure receiving the highest number of votes will set the tax rates

# What happens next?

- On November 8, voters will decide whether or not to:
  - Establish the tax rates under Measure MA
  - Allow medical marijuana sales under Measure MM, with specified tax rates
- If Proposition 64 passes, the City Council would consider under what circumstances recreational marijuana would be allowed, if at all

# Measure MA

City of Long Beach Marijuana Tax

November 2016

### What is Measure MA?

- Measure MA is a tax on medical and recreational marijuana. It sets a gross receipts tax for sales of both medical and recreational marijuana and establishes a tax on marijuana cultivation, processing, testing and distribution in the City.

### How would the Measure MA Revenue be spent?

- Measure MA is a general tax to fund city services. Revenues from the tax would pay for general City services, such as public safety, 9-1-1 emergency response, police officers, regulation of the marijuana industry and homeless assistance programs.

### How much money would Measure MA raise if both medical and recreational sales are allowed?

- Measure MA would raise approximately \$13 million annually.

### What are the other measures on the ballot related to marijuana?

- Measure MA and Measure MM are two different ballot measures. Measure MM is an initiative ordinance placed on the ballot by citizen petition and specifies how medical marijuana businesses will be allowed to operate in Long Beach if approved by voters. Measure MM was placed on the ballot by the City Council after medical marijuana supporters gathered enough signatures to qualify the measure for the ballot. The other measure is Proposition 64, a Statewide ballot measure to legalize recreational marijuana in California.

### What are the specific tax rates under Measure MA?

- **Medical Marijuana** sales would be taxed at 6-8 percent of gross receipts, initially set at 6 percent.
- **Recreational Marijuana** sales would be taxed at 8-12 percent of gross receipts, initially set at 8 percent.
- **Distributing, Processing, Transporting or Testing of Marijuana** (when not performed by a business that also sells the final product to customers) would be taxed at 6-8 percent of gross receipts, initially set at 6 percent.
- **Cultivation of Marijuana** would be taxed at \$12-15 per square foot, initially set at \$12.

### Does Measure MA have different tax rates for Medical Marijuana and Recreational Marijuana?

- Yes, medical marijuana sales would be taxed at a lower rate than recreational marijuana sales.

### Does Measure MA allow medical and recreational marijuana businesses in Long Beach?

- No. Measure MA only establishes the tax rate. Measure MM and Proposition 64 are the two measures on the November ballot that would allow medical and recreational marijuana businesses in Long Beach if supported by a majority of Long Beach voters.

## What exactly does Measure MA Tax?

- Measure MA taxes all components of the marijuana industry should Long Beach voters choose to allow medical or recreational marijuana in the City. The gross receipts tax would be paid at the time of sale for those purchasing at a dispensary or in the case of a business purchasing from another business. The cultivation tax is paid by those growing the product.

## Who pays the Measure MA tax?

- Only those purchasing marijuana at a dispensary or marijuana businesses pay this tax. General members of the community who do not purchase, cultivate, test or process marijuana will not pay any additional taxes.

## Do other jurisdictions tax marijuana?

- Yes. Long Beach studied 16 other California cities for their tax rates. Cities across California tax this industry at different rates, with rates up to 15 percent of gross receipts. A study of those 16 other cities shows that Long Beach's rates would be at approximately the midpoint.

## Why did the City Council put Measure MA on the ballot?

- The City Council received a report from City staff demonstrating the City would need significant financial resources to properly regulate this industry. Specifically, City staff estimate that should Measure MM pass, it would be necessary to spend approximately \$12 million per year on medical marijuana alone to cover the regulatory, enforcement, health and public safety costs. These estimates are based upon the City's prior experience addressing both legal and illegal medical marijuana businesses in Long Beach, as well as experiences from states and other cities that have allowed medical marijuana businesses. Further, City staff have reported that the marijuana tax rates in Measure MM will not fully offset these

costs. Due to these reasons, the City Council placed this competing measure on the ballot for voters to consider, which sets higher rates than those in Measure MM.

## What happens if Measure MA is not approved?

- If voters approve Measure MM and not Measure MA, the City's marijuana tax rates will be significantly lower than they are currently or as set out in Measure MA: Long Beach will have a 0 percent gross receipts tax on recreational marijuana, a 6 percent maximum gross receipts tax on medical marijuana dispensary sales, a 0 percent gross receipts tax on manufacturing/processing, a 0 percent gross receipts tax on testing sites, a 0 percent gross receipts tax on transportation, a 0 percent gross receipts tax on distribution, and a maximum \$10 per square foot tax on cultivation. In lieu of a gross receipts tax, marijuana businesses only engaged in manufacturing, processing, testing, transportation or distribution will pay a maximum \$1,000 tax annually.

## What happens if both Measure MA and MM are approved?

- If both measures are approved, medical marijuana businesses will be allowed to operate in the City of Long Beach, subject to those regulations contained in Measure MM. However, the City's marijuana tax rates will depend upon which of the two Measures receives more votes. The Measure receiving the highest number of votes will set the tax rates.

## What will happen next with the proposed tax?

- Long Beach voters will decide on November 8, 2016 whether to establish the tax rates under Measure MA, as well as whether to allow medical marijuana sales through Measure MM, and recreational marijuana sales under Proposition 64. If Proposition 64 passes, the City Council would consider under what circumstances recreational marijuana would be allowed, if at all, in Long Beach.