

**TOWN OF FAIRFAX
STAFF REPORT**

To: Mayor, Members of the Town Council
From: Michael Rock, Town Manager 
Date: June 22, 2011
Subject: Discussion/Consideration of a medical marijuana (Cannabis Tax) sales tax in the Town of Fairfax

DISCUSSION

The Town Council has discussed the possibility of a cannabis tax for the last several months at Town Council meetings, and staff has met with the Chamber of Commerce about such a tax. In order for the Town Council to make an informed decision on whether a special tax on medical marijuana is advantageous to the Town the following information is provided:

1. If the voters of Fairfax were to pass a special tax at a 1.8% of gross receipts would generate about \$20,000 per year to the Town. This tax rate is what the City of Oakland passed in 2009 (Measure F). A 1.8% special tax would be on top of the current sales tax rate of 9% in Fairfax and if a local sales tax measure is successful and the special medical marijuana tax was successful then the tax rate to the only dispensary in Town would be 11.3%-11.8%.
2. The City of San Jose passed a 7% tax on gross receipts. A tax at that level in Fairfax would generate about \$90,000 per year to the Town. If this tax and a local sales tax were successful then the lone dispensary would pay 16.5% to 17% in sales taxes. This significantly increases the costs of medical marijuana to the patients.

There is a current legal challenge to these special taxes in Oakland and San Jose. This could impact public perception of the legality of a sales tax on medical marijuana.

Staff seeks your direction on further investigation into taxing sales of medical marijuana.