



RURAL COUNTY REPRESENTATIVES
OF CALIFORNIA

April 5, 2017

The Honorable Jim Wood
Member, California State Assembly
State Capitol, Room 6005
Sacramento, CA 95814

RE: Assembly Bill 1410 - SUPPORT

Dear Assembly Member Wood:

On behalf of the Rural County Representatives of California (RCRC), I offer our support for your Assembly Bill 1410 which would require licensed distributors, instead of licensed cultivators, to collect cultivation taxes as prescribed in the recent enactment of the Adult Use Marijuana Act (AUMA).

RCRC is an association of thirty-five rural California counties, and the RCRC Board of Directors is comprised of elected supervisors from each of those member counties. The issue of marijuana regulation and cultivation is of great importance to California's rural counties. In the last several years, there has been a dramatic proliferation of marijuana cultivation throughout many of the rural counties and the scale and volume of individual grow sites has enlarged.

Last November, California voters approved Proposition 64, the AUMA. Among other provisions, the AUMA calls for a variety of excise taxes to be levied on cultivators. We believe the excise tax provisions in Proposition 64 are unworkable and serve as a disincentive to proper tax collection. Rather than have these excise taxes be collected upon thousands of cultivators (who are likely not to fully comply), RCRC believes it would be sensible to collect at the time a cultivator sells the product to a distributor. There are two primary reasons – first, it is easier and more efficient to collect cultivation excise taxes from a handful of distributors throughout the State rather than thousands of individual growers. Second, collecting at the distributor level will ensure the appropriate tax is collected in a timeframe when cultivators possess the money to fulfill their tax obligation.

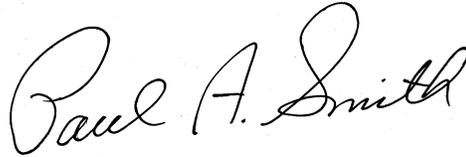
While RCRC did not have an official "Support" on Proposition 64, we do believe the voters expect a tax collection system to have integrity. As such, AB 1410's shift from cultivator-collection to distribution-collection of cultivation tax will enable better compliance.

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The Honorable Jim Wood
Assembly Bill 1410
April 5, 2017
Page 2

On a final note, recent amendments were made to address a concern about preserving the integrity of the tax collection process as a whole. We thank you for agreeing to these suggestions and look forward to seeing this bill enacted into law. If you should have any questions or concerns regarding RCRC's support of AB 1410, please do not hesitate to contact me at (916) 447-4806.

Sincerely,

A handwritten signature in black ink that reads "Paul A. Smith". The signature is written in a cursive, flowing style.

PAUL A. SMITH
Vice President, Governmental Affairs

cc: Members of the Assembly Revenue & Tax Committee