



Department Source: City Manager

To: City Council

From: City Manager & Staff

Council Meeting Date: December 19, 2022

Re: Submission of a ballot measure to the voters to consider imposition of a local 3% sales tax on adult use marijuana

## Executive Summary

This ordinance would authorize the question of whether or not to impose an additional 3% sales tax on adult use marijuana to the voters for consideration at the next available election to be held on April 4, 2023.

## Discussion

The sale of adult use marijuana (as distinguished from medical marijuana) was approved by amendment to the Missouri Constitution approved by voters on November 8, 2022. The constitutional amendment goes into effect thirty (30) days following approval by the voters, which was December 8, 2022. There are a number of pieces of the constitutional amendment that will need to be addressed by the city going forward, including but not limited to, regulations relating to zoning, business licensing, health and municipal offenses. This particular legislation is limited to the imposition of a local sales tax authorized by the constitutional amendment and is being brought forward first due to deadlines which exist for placement of an item on the ballot. The other items will be brought forward at a future date.

As a bit of background, the constitutional amendment authorizes three distinct types of marijuana facilities: medical facilities, comprehensive facilities and microbusiness facilities. Under the prior law, all that was allowed in Missouri were medical facilities and the regulations for medical facilities under the latest constitutional amendment is mostly unchanged. In essence, a comprehensive facility includes the authority to conduct both medical and recreational use marijuana sales. A microbusiness facility only includes the authority to conduct recreational use marijuana sales.

The law allows existing medical marijuana facilities to convert their existing license to include the authority to sell marijuana to any individual over the age of 21 by submitting an application to the Department of Health and Social Services (DHSS). The application to convert to a comprehensive facility is deemed approved sixty (60) days following submission of the application if DHSS takes no action. Although conversion of existing medical facilities is allowed to occur relatively quickly, DHSS may not issue any new licenses for comprehensive facilities for a period of 18 months.

With regard to the microbusiness facilities (which are exclusively adult sale outlets), the roll out of licensing will occur in a similar fashion to what was experienced with regard to the medical facilities. The constitutional amendment requires the State to make license application forms available within 180 days of the effective date of the amendment (on or



# City of Columbia

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about June 7, 2023) and start accepting applications from applicants within 270 days (on or about September 5, 2023).

With regard to this agenda item, the constitutional amendment authorized local governments to impose, upon voter approval, an additional local sales tax of 3% on the sale of adult use marijuana. The 3% sales tax would **not** apply to the sale of marijuana for medical use. If approved by the voters, the sales tax would assist the city in meeting the increased cost of additional services directed toward mental health and addiction services along with other community needs and services impacted by the activities permitted and regulated by the constitutional amendment.

In order to be placed on the April 4, 2023 ballot, the ballot language must be certified by the city clerk to the county clerk by January 24, 2023. Because the first meeting in January has been canceled, introduction and first reading of the bill is required at the second Council meeting in December in order to allow consideration of the matter at the January 17 Council meeting.

Because this is a new product, for which the city does not have any information on historical sales, at this time staff does not have an estimate of the amount of revenue that would be generated by the additional sales tax. If approved by the voters, the tax would go into effect the beginning of the first day of the second calendar quarter after the Department of Revenue receives notification of the rate change, which would be October 1, 2023.

## Fiscal Impact

Short-Term Impact: Unknown at this time

Long-Term Impact: Unknown at this time

## Strategic & Comprehensive Plan Impact

### [Strategic Plan Impacts:](#)

Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

### [Comprehensive Plan Impacts:](#)

Primary Impact: Not Applicable, Secondary Impact: Not applicable, Tertiary Impact: Not Applicable

## Legislative History

## Suggested Council Action

Approval of the ordinance.