



MEMORANDUM

DATE: January 13, 2022
TO: Finance & Budget Committee
FROM: Mark Lynch, Interim City Manager
SUBJECT: Marijuana (THC) Tax

After conversations with other communities I have learned that an excise tax based on weight will not work for many of the same reason that were discussed at the meeting last month. However, after speaking to the City Attorney, we have decided the best way to handle this is the same way we handle tobacco at the wholesale level. Tobacco is taxed at 45% of wholesale value. I recommend the City adopt a similar tax on the wholesale value of all THC containing products sold in the City of Dillingham. This type of tax is not a sales tax and is based on products imported to the City of Dillingham from outside the City boundaries. Just as with tobacco, the current 6% sales tax would remain in place as a retail sales tax.

I recommend that the Committee decide what tax percentage they would like to implement, direct the City Manager / City Attorney to develop the appropriate Ordinance to enact the tax, and recommend that to Council for adoption.