



**TOWN OF PALMER LAKE
BOARD OF TRUSTEES - AGENDA MEMO**

DATE: February 9, 2023	ITEM NO.	SUBJECT: Consider Draft Ordinance to Create MJ Sales Tax
Presented by: Town Administrator /Clerk		

The 2016 election resulted in voters approving an additional sales tax of 5% on retail marijuana (MJ) sales. The question on the 2016 ballot read and passed as follows:

Shall the Town of Palmer Lake taxes be increased by five hundred thousand dollars (\$500,000.00) in the first fiscal year and by whatever additional amounts are raised annually thereafter, by imposing an additional sales tax of 5% on the sale of retail (recreational) marijuana and retail (recreational) products as defined in the Colorado retail marijuana code, with the rate of such tax being allowed to be decreased or increased without further voter approval, so long as the rate of the tax does not exceed 10%, provided that the rate shall not exceed 7% on or before January 1, 2019, with the revenues derived from such tax to be collected and spent to promote the general purposes of the Town of Palmer Lake as a voter approved revenue change notwithstanding any revenue or expenditure limitations contained in Article X, Section 20 of the Colorado Constitution?

The draft ordinance for Board consideration is to establish the rate. Staff recommends an additional 5% sales tax on MJ/product retail sales. It is difficult to establish exactly what portion will come from the state. Note the CDOR reference below:

Local governments receive 10% of the 15% **retail marijuana state sales tax**. The 10% is divided among the local governments. The calculation is based on the amount of retail marijuana sales taxes in the local jurisdiction. The city or town share is apportioned according to the percentage of retail marijuana sales tax revenues collected by the Department of Revenue within the boundaries of the city or town. Counties do not receive any retail marijuana sales tax revenue unless there is a retail marijuana store in an unincorporated area. The distribution is monthly. This is similar to cigarette tax distributions to local governments. Please note that since the distribution is based on a percentage of retail marijuana sales tax revenue collected within the boundaries of a city, town, or unincorporated area of a county versus the total retail marijuana sales tax revenues collected, the monthly percentage to each eligible jurisdiction is not a static amount but varies based on total retail marijuana sales tax revenues and the amount of retail marijuana sales tax collected in each jurisdiction.