



## CITY OF BANNING STAFF REPORT

**TO:** CITY COUNCIL

**FROM:** Arturo Vela, Acting City Manager

**PREPARED BY:** David Newell, Community Development Director

**MEETING DATE:** September 9, 2025

**SUBJECT:** Consideration of Resolution 2025-127, Approving and Setting Forth Cannabis Retail Tax Delinquency Penalties and Interest Pursuant to Banning Municipal Code Chapter 3.15

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### **RECOMMENDATION:**

Adopt Resolution 2025-127

### **BACKGROUND:**

On August 26, 2025, the City Council considered the current tax rate for cannabis retailers and requested staff return with a resolution establishing penalties for late tax remittance by cannabis retailers. After reviewing other jurisdictions that impose penalty and interest fees, staff determined the following:

- Flat-rate Penalty. Many jurisdictions impose an initial penalty as a percentage of the unpaid tax amount. For example, a common structure is a 10% penalty for failure to remit taxes by the due date, with an additional 10% (or higher) penalty if the delinquency persists beyond a specified period, such as 30 day.
- Accruing Interest. Interest is typically charged on unpaid taxes and penalties, often calculated monthly. A common rate is 1% per month (equivalent to 12% annually) on the outstanding balance, though rates can vary (e.g., 0.5% to 1.5% per month).

These penalties and interest rates are often codified in municipal ordinances or resolutions, tailored to local cannabis tax structures, and designed to align with state laws like California's Proposition 64, which enables local taxation of cannabis businesses.

As a result staff proposes the Council adopt the following penalty and interest on cannabis retailers that are remitting delinquent taxes, as authorized by Section 3.15.090 of the Banning Municipal Code:

- A. For any cannabis retail business that is delinquent in the payment of its Banning cannabis tax, the following rate shall apply to that business for so long as such business has not paid its Banning cannabis tax, including any penalties and interest thereon:
1. A penalty equal to twenty-five percent (25%) of the amount of tax in addition to the amount of the tax, plus interest on the unpaid tax calculated from the due date of the tax at rate of one percent (1%); and
  2. An additional penalty equal to fifty percent (50%) of the amount of the tax if the tax remains unpaid for a period exceeding thirty calendar days beyond the due date, plus interest on the unpaid tax and interest on the unpaid penalties calculated at the rate of one percent (1%); and
  3. Interest shall be calculated at the rate of one percent per month, or a fraction thereof, on the

total amount due, from the date on which the amount of tax required to be collected becomes due and payable to the city until the date of payment and shall not exceed twelve percent of the amount of tax due.

**JUSTIFICATION:**

The proposed resolution will help ensure effective enforcement and timely collection of cannabis retail taxes.

**FISCAL IMPACT:**

None. However, cannabis retailers that remit tax payments after 45 days of the quarterly payment due dates will increase revenue, as the proposed resolution establishes interest and penalty fees for cannabis retailers not submitting timely tax payments as specified therein.

**ALTERNATIVES:**

Provide alternative direction to staff.

**BUDGETED?:**

No

**CONTRACT/AGREEMENT:**

No

**ATTACHMENTS:**

1. [Resolution 2025-127](#)