

**CITY OF DAVIS  
ADMINISTRATIVE RULING  
CANNABIS BUSINESS TAX APPORTIONMENT**

**PURPOSE**

This ruling establishes apportionment procedures for cannabis businesses located within the City of Davis who provide delivery services outside the City.

**BACKGROUND**

The “Dormant Commerce Clause” of the United States Constitution requires taxes to be “fairly apportioned” such that only the portion of the business actually taking place within the taxing jurisdiction is included in the tax. The purpose of this ruling is to interpret City of Davis Municipal Code (DMC) Section 19.04.100 (Marijuana Businesses) together with Section 19.01.050 (Constitutional Apportionment).

**FINANCE DIRECTOR RULLING**

DMC Section 19.04.100 (c)(1) defines the term “gross receipts” for the purposes of calculating the business license tax on cannabis businesses. Gross receipts include “all receipts from the sale of marijuana and from the sale of paraphernalia used for consuming marijuana and any other products, goods, or services sold or provided by the marijuana business.” However, consistent with Section 19.01.050, a cannabis business taxpayer may deduct from 100% of gross receipts the percentage of gross receipts deemed to be directly attributable to selling activities carried on by such taxpayer outside the City of Davis, up to (but not to exceed) 30% of gross receipts for the sales on cannabis and related products shipped or delivered outside of the City of Davis.

In claiming any reduction to “gross receipts” under this ruling, the taxpayer shall support any request with substantial evidence. Evidence may be by sworn statement, supporting documentation, and/or testimony, and such other information as the Finance Director may deem reasonably necessary in order to determine the extent, if any, of such adjustment. The Finance Director may conduct an investigation or an audit, and may increase, reduce or allow to stand the percentage originally determined, depending on the facts presented.

Requests for variations from the apportionment formula set forth in this ruling shall be made in writing and supported with substantial evidence. The Finance Director may approve, in writing, any variation from the apportionment formula provided for under this ruling.

**APPROVALS:**

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/s/  
Inder Khalsa, City Attorney

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/s/  
Elena Adair, Finance Director