

MEASURE U

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE U

Measure U, if approved by a majority of voters, will enact an ordinance taxing marijuana businesses at a rate of up to 10% of their gross receipts, for the privilege of conducting business within the City. This tax will be in addition to the current business tax imposed on businesses in San Jose. The marijuana business tax will tax gross receipts from the planting, cultivation, harvesting, transporting, manufacturing, compounding, converting, processing, preparing, storing, packaging, and wholesale and retail sales of marijuana and ancillary products in the City, whether or not carried on for profit.

This tax will not take effect until the City Council, by ordinance, sets the rate of the tax, which cannot exceed 10% of gross receipts. The City Council may, at any time, set a lower tax rate for all marijuana businesses or establish differing tax rates for different categories of marijuana businesses, subject to the maximum rate of 10% of gross receipts. The City Council may also increase the tax rate from time to time, provided the rate set does not exceed 10% of gross receipts.

This Measure does not legalize or otherwise permit marijuana businesses in San Jose.

The revenues from the tax imposed by Measure U will be subject to the annual audit performed by the City's independent auditor which is reported in the City's Comprehensive Annual Financial Report.

A "yes" vote is a vote to permit the City Council to impose, by ordinance, a new business tax on marijuana businesses at a rate of up to 10% of gross receipts in addition to the current business tax.

A "no" vote is a vote not to permit the City Council to impose, by ordinance, a new business tax on marijuana businesses at a rate of up to 10% of gross receipts.

/s/ Richard Doyle
City Attorney, City of San Jose

The above statement is an impartial analysis of Measure U. If you would like to read the full text of the measure, see www.sanjoseca.gov/clerk/elections/Election.asp or call 408-535-1260 and a copy will be sent at no cost to you.

ARGUMENT IN FAVOR OF MEASURE U

Please vote yes on Measure U, the marijuana business tax.

In 1996, California voters authorized the legal use of medical marijuana with Santa Clara County voters approving overwhelmingly. As a result, the State of California will collect approximately \$100 million dollars in sales tax from medical marijuana this year alone. Currently, San Jose, a city of one million people, is not collecting any revenue from these facilities. In order for San Jose to collect revenue you need to vote yes to tax and regulate these facilities as other cities and states have done. All revenues collected will be subject to existing independent financial audits with all revenue controlled by the City. Today, there are no financial audits of these facilities and a majority are not even paying sales tax like pharmacies must do today on over the counter drugs. However, with a yes vote on Measure U, these facilities will be required to have financial audits and pay taxes like everyone else.

Voting yes on Measure U will bring revenue to help balance the budget and fund city services like road paving, libraries, police, fire, parks and senior programs. Taxation and regulation protects our neighborhoods as these facilities will not be allowed to operate by our homes, schools, libraries, parks or daycare. Voting yes on Measure U does not establish these facilities as the existing facilities are already allowed by state law.

Vote yes on Measure U, the marijuana business tax.

For more information go to www.tmc2010.org

/s/ Pierluigi Oliverio
City of San Jose Councilmember

NO ARGUMENT AGAINST MEASURE U WAS SUBMITTED