

NC 2018 Advanced Seminar

Unique Audits – Medical Marijuana

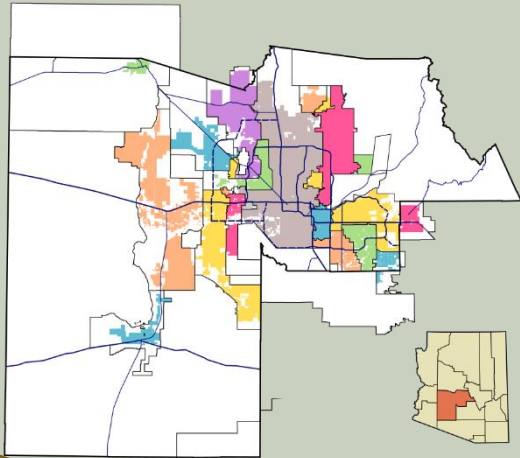


Lesley Kratz

Assistant Chief Deputy - Maricopa County, Arizona

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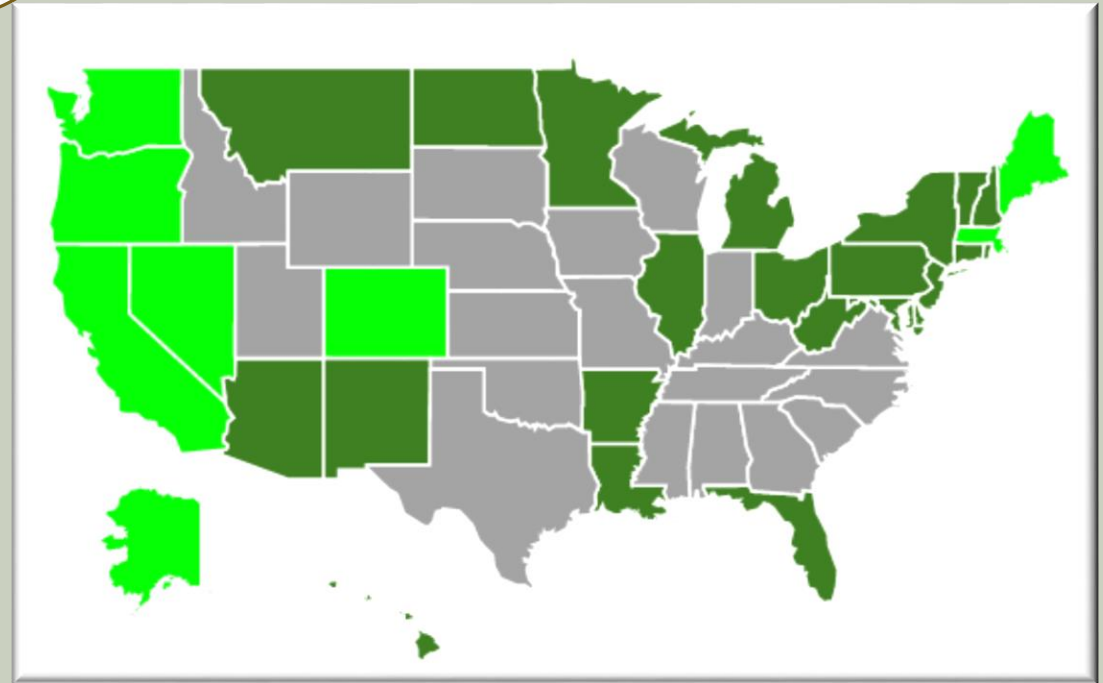
- Assistant Chief Deputy Assessor of Maricopa County, AZ
- Fourth Largest Assessing Jurisdiction in the USA



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States with Marijuana

-  Recreational
-  Medical



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2010: Arizona legalized medical marijuana by initiative

2012: The first medical marijuana licensed dispensary opens

- *Medical marijuana facilities must operate like a nonprofit*
- *Legally NOT a non-profit*
- *Must pay property taxes in Arizona*

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2016
why



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2017: Before Audit must file Personal Property Form

- Needed to identify locations
- Redacted information by AZ statutes
- County Internet “block” sites as illegal
- Staff worked on phones or home
- Estimated Values by Group – 109 Total



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Certification - 15

- Naturopathic
- Physician
- Osteopathic
- Homeopathic



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Dispensary - 47

“Nonprofit medical marijuana dispensary” means they must operate as a not-for-profit entity that acquires, possesses, cultivates, manufactures, delivers, transfers, transports, supplies, sells or dispenses marijuana or related supplies and educational materials to cardholders.

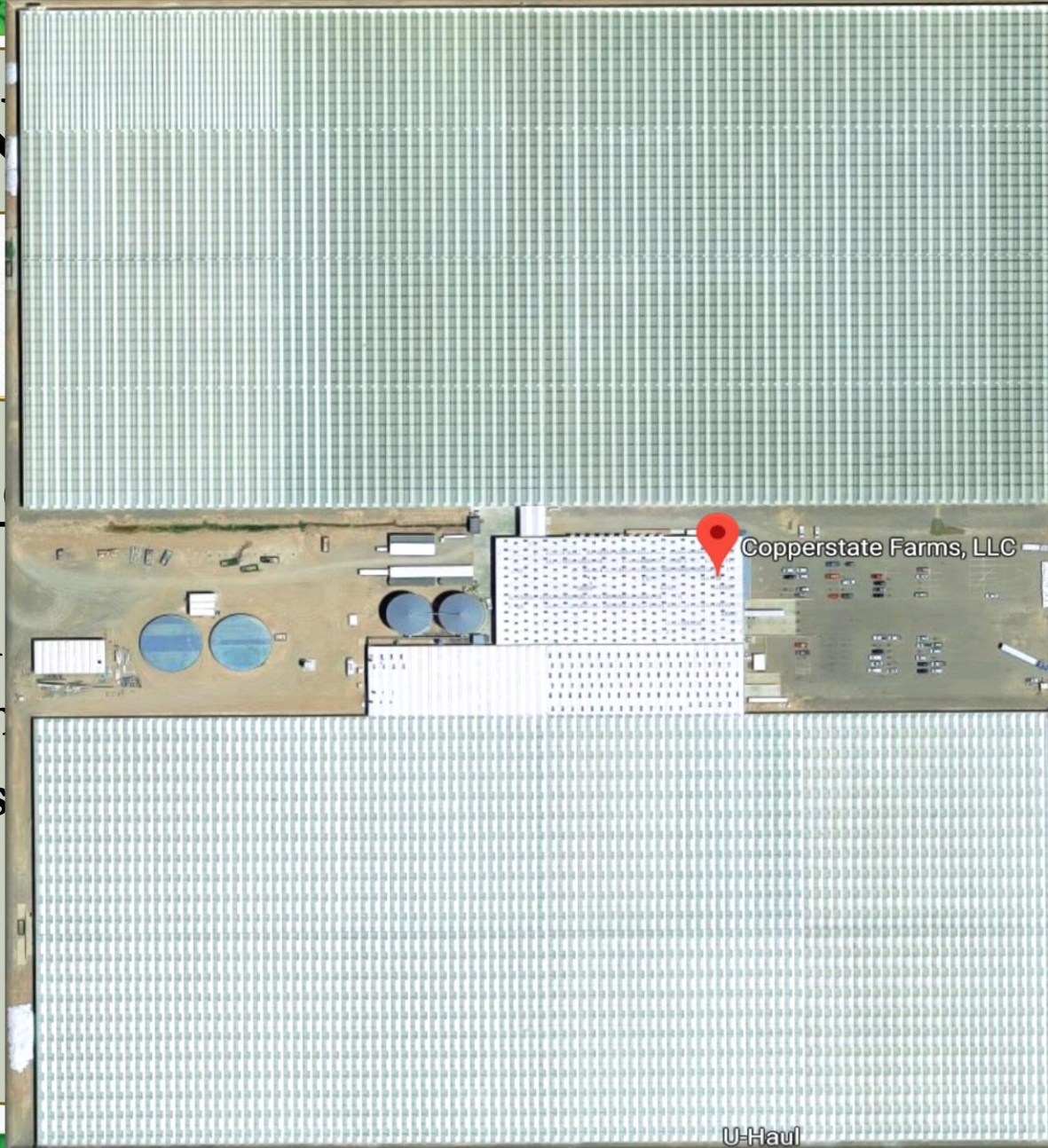


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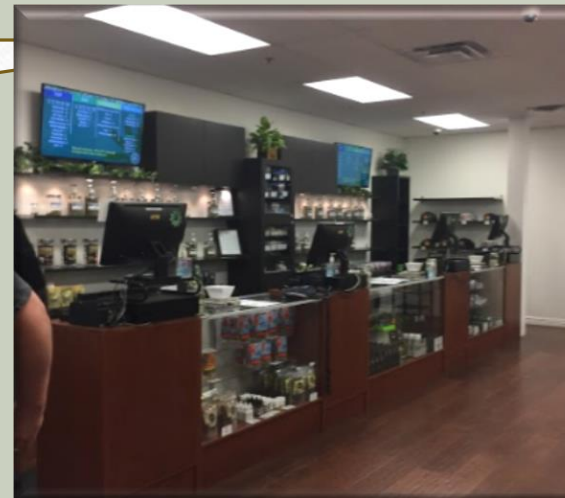
U-Haul

on where
for sale by

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Dual - 21

A combination of dispensary and cultivation site. Usually has grow facility in back with store in front selling medical marijuana



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Notice of Value:

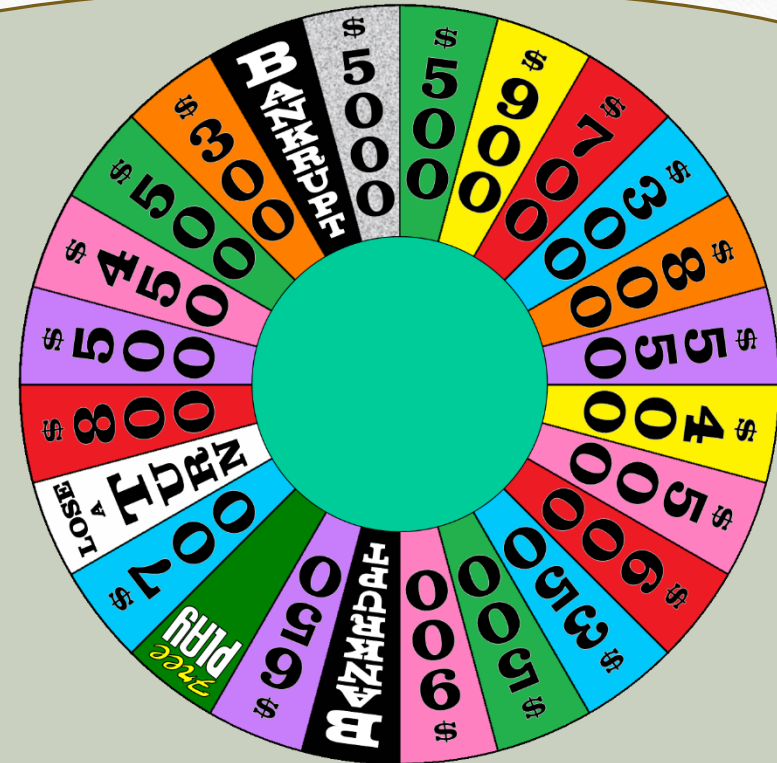
- **Accounts Reported – 11 Accounts**
 - Based on acquisition cost
 - Exemption Applied
 - No Late Fee



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Notice of Value:

- Accounts Non-Reported
 - Certification: \$20/sq. ft.
 - Dispensary: \$30/sq. ft.
 - Cultivation & Dual: \$45/sq. ft.
 - Late Filing Fee 10%
 - No Exemption



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2017: Notice of Values & Tax Bills Mailed

- No like businesses in Arizona, multiple tours of facilities
- Worked with Department of Revenue to establish value
- Created \$/sqft based on type of facility
- Generated 1.1 million in taxes
- Penalty assessed for all “non-filers”
- 11 Businesses responded



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2017: Held press conference with media – not reporting

- Got attention!!!... on some
- Appeals – reports filed for each year since opening
- Values fine – paid taxes



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2018: After launching a public awareness campaign, the Assessor's Office audited the operations for their 2016 and 2017 values



TAX MANAGEMENT
ASSOCIATES, INC

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2017: Appeals & Audits

Assigned to TMA for audit – 62 accounts

Audited 41 Accounts

- Relocated
- Closed
- Refused



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2017: Challenges

- Must be a non-profit
- Cultivation cannot sell, must be associated dispensary
- Hidden from public if not selling
- Multiple entities
- Statutory protection



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Structural Operation

Certification

Patient Must Acquire MMJ Card

Acquisition

Dispensary

Dispensary & Boutique Cultivation

Cultivation

Owned Off-Site Cultivation Facility

Wholesale Facility

Another Dispensary

Wholesale Facility

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Audit Results: Certification

Type	FCV 2017	Audited 2017 FCV	2018 FCV	2017 Taxes	2017 Taxes Paid	2017 Taxes Due
Certification Totals	1,013,522	426,800	496,774	\$10,947.36	\$6,138.94	\$5,176.81

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Audit Results: Dispensary

Type	FCV 2017	Audited 2017 FCV	2018 FCV	2017 Taxes	2017 Taxes Paid	2017 Taxes Due
Dispensary Only	4,388,499	2,174,200	3,729,387	\$77,253.58	\$36,523.89	\$44,490.93

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Audit Results: Cultivation

Type	FCV 2017	Audited 2017 FCV	2018 FCV	2017 Taxes	2017 Taxes Paid	2017 Taxes Due
Cultivation Totals	27,598,637	4,649,400	16,389,210	\$670,678.52	\$129,100.19	\$548,514.82

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Audit Results: Dual

Type	FCV 2017	Audited 2017 FCV	2018 FCV	2017 Taxes	2017 Taxes Paid	2017 Taxes Due
Dual Totals	7,251,013	2,648,600	4,081,748	\$185,877.22	\$86,257.36	\$108,917.47

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Audit Results:

- **Certification – small amount of FFE**
 - **Over estimated**
 - **Reduced in Audit**
 - **Exemption applied**
 - **Highest cost \$123,135**
 - **Lowest cost \$3,843**

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Audit Results:

- **Dispensary – vary in size & cost**
 - **Edibles**
 - **Kitchens**
 - **Security**
 - **Highest cost \$1,075,931**
 - **Lowest cost \$19,217**

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Audit Results:

- Cultivation – indoor with special purpose leaseholds
 - HVAC
 - Lighting
 - RO water systems
 - Highest cost \$2,345,317
 - Lowest cost \$246,991

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Audit Results:

- Dual – boutiques with grow facility – generally smaller than cultivation facilities
 - HVAC
 - Lighting
 - RO water systems
 - Retail
 - Highest cost \$1,075,931
 - Lowest cost \$223,570

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Takeaways:

- Unique industry – lots of specialized personal property
- Estimates – high on some, low on others
- Industry – growing
- Challenges – many but will continue to audit

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