

Local Cannabis Tax (Senate Bill 148)

In 1996, California voters approved Proposition 215 - the Compassionate Use Act – exempting patients and defined caregivers who possess or cultivate cannabis for medical treatment from criminal laws which otherwise prohibit possession or cultivation of marijuana.

In 2015, the Legislature enacted the Medical Marijuana Regulation and Safety Act (MMRSA), a package of legislation - SB 643 (McGuire, 2015), AB 243 (Wood, 2015), and AB 266 (Bonta, 2015) - that comprehensively regulated many aspects of medical cannabis, including cultivation, manufacturing, transportation, distribution, sale, and product safety.

On November 8, 2016, California voters approved Proposition 64 - the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), which legalized the recreational use of cannabis by adults age 21 and older. The AUMA imposed a cannabis excise tax upon purchasers of cannabis or cannabis products sold in California at the rate of fifteen percent of the gross receipts of any retail sale by a dispensary. Additionally, the AUMA established a cultivation tax at the following rates: \$9.25 per dry-weight ounce on cannabis flowers, and \$2.75 per dry-weight ounce on cannabis leaves. The AUMA allows the Board of Equalization (BOE) to adjust the tax rate for cannabis leaves annually to reflect fluctuations in the relative price of cannabis flowers to cannabis leaves.

The issue of cannabis, and particularly those surrounding cultivation, continue to be of importance to RCRC's member counties. With the enactment of the MMRSA and the AUMA, a large number of industry players are expected to seek operating in the licensed and regulated commercial market. In order to participate in this market, a variety of fees and taxes must be paid to State and local regulatory agencies. It is expected that many of these payments will be made in cash.

Introduced in January 2017, Senate Bill 148 by Senator Scott Weiner (D-San Francisco) would:

- Allow the Board of Equalization (BOE) to act as the cash-handling agent and provide the ability to collect taxes, fees, fines, and penalties from the Department of Consumer Affairs (DCA), the California Department of Food & Agriculture (CDFA), and the Department of Public Health (DPH) – the State licensing entities that will be assessing regulatory fees;
- Allow counties, upon approval of the Board of Supervisors, to act as the cash-handling agent and provide the ability to collect taxes, fees, fines, and penalties on behalf of DCA, CDFA, and DPH; and,
- Allow the BOE to act as the cash-handling agent and collect taxes, fees, fines, and penalties imposed by counties.

RCRC supports SB 148 because this approach will better enable State and local licensing entities to collect monies from industry participants, improving the integrity of the overall regulatory framework. SB 148 currently awaits action in the Senate Appropriations Committee.