

BB

BUDGET & FINANCE

MOTION


Existing law allows cities and counties to license any legal business conducted within its jurisdiction, and enact license fees and taxes, some of which are measured by a business's gross receipts for purposes of these taxes. Over several years, state legislation has been approved, including Proposition 64, that has complicated the definition of how cannabis taxation should be applied by local jurisdictions. As a result, local jurisdictions that use the definition of gross receipts incorporate the cannabis excise tax as part of their base calculation for local cannabis business taxes and fees. This results in a compounding tax, where the amount from the imposition of one tax is included in the base calculation for a subsequent tax levied by a local jurisdiction, resulting in a double taxation system. This counters sound tax policy as it results in the application of tax on a tax, rather than a tax on the actual goods that are being sold.

Senate Bill (SB) 1059 (Bradford), which was recently signed by the Governor on September 28, 2024, would prohibit local jurisdictions from including in their definition of gross receipts any taxes that are applied under the Cannabis Tax Law, the Sale and Use Tax Law, and the Transaction and Use Tax law, for the purposes of local cannabis business taxes and fees. This would result in an adjustment that would reduce the base calculation upon which local jurisdictions may levy a tax or fee when licensing cannabis businesses.

SB 1059 will assist the legal cannabis industry by alleviating some of the tax burdens that are placed on licensed cannabis retailers. The current calculation method being used is unfair to consumers, and places licensed retailers at a disadvantage as they continue to struggle against a thriving illegal cannabis market. Consumers are driven towards the unlicensed and untested cannabis market as the current calculation method inflates the price of licensed cannabis products. SB 1059 corrects previous legislation to improve taxation of cannabis and cannabis products..

I THEREFORE MOVE that the City Council instruct the Office of Finance and the Department of Cannabis Regulation, with the assistance of the City Attorney, to report with recommendations to align the City's definition of gross receipts tax with the provisions of Senate Bill 1059 (Bradford), as well as to report on the potential impact on the City's revenues relative to the collection of business taxes for cannabis and cannabis-related products.

PRESENTED BY:


IMELDA PADILLA
Councilmember, 6th District

SECONDED BY:



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