



TAXATION AND REVENUE WORKSHEET



DISCUSSION TOPICS:

- ✓ What policies should inform the County's taxation of cannabis businesses?
- ✓ How should the County prioritize spending of any tax revenue from cannabis businesses?

BACKGROUND:

State taxes on cannabis businesses:

Effective January 1, 2018, the state will impose the following taxes on medical and nonmedical (or "recreational") cannabis:

- A 15 percent excise tax on all retail sales of cannabis and cannabis products;
- A cultivation tax of \$9.25 per ounce of cannabis flowers and \$2.75 per ounce of cannabis leaves; and
- Medical cannabis purchases will be exempt from state sales tax, which is currently 7.5 percent.

Counties and cities can also tax cannabis businesses with voter approval:

State law allows counties and cities to impose their own taxes on cannabis businesses and commercial cannabis activity. Such a tax would need to be approved by voters in that county or city. The type of tax structure a county or city may adopt depends on the specific policies that county or city wishes to advance. Some of the policies that could inform cannabis taxation include:

- Facilitating the transition from an unlicensed market to a licensed and regulated market. Some argue that a relatively low tax rate on cannabis businesses would make it easier for licensed businesses to compete with unlicensed businesses that are not paying taxes.
- Revenue generation. Some argue that tax rates should be designed to generate revenue for cities and counties to fund important programs, including law enforcement and drug prevention programs.
- Discouraging consumption. Some argue that tax rates should discourage consumption by making purchasing cannabis cost-prohibitive for some. While similar strategies have been implemented for tobacco products, others argue that people who cannot afford to buy cannabis legally will be able to buy it easily for less through unlicensed channels.
- Cannabis as medicine. Some argue that counties and cities should tax medical cannabis less than nonmedical cannabis, to ensure those who use cannabis medically can afford it.

How the state will use cannabis tax revenue:

The State of California will use cannabis tax revenue to fund:

- medical cannabis research;
- youth programs (including drug education, prevention, and treatment);
- the prevention and remediation of environmental damage from illegal marijuana producers; and
- grants to local health departments and nonprofits to support job placement, drug treatment, and other programs in communities "disproportionately affected by past federal and state drug policies."

WORKSHOP QUESTIONS:

If the County imposes a tax on cannabis businesses and commercial cannabis activity, what should be the purpose of the tax?

What programs or activities would you like to see funded by cannabis tax revenue?

Do you think the County should tax medical cannabis differently than nonmedical (or “recreational”) cannabis?

Is there anything else you would like to tell the County about cannabis taxation and revenue?

NOTE: All information submitted orally or in writing at this meeting will become public record and may be published in its entirety. Please do not include any personal or confidential information you do not wish to become public record.

To submit additional comments, please visit <http://cannabis.lacounty.gov/connect/>