



Date: April 6, 2021

To: Honorable Mayor and Council

From: Councilwoman Cindy Allen, Second District
Councilmember Roberto Uranga, Seventh District
Vice Mayor Rex Richardson, Ninth District

Subject: Resolution for City Support of Senate Bill 603

R-19

RECOMMENDED ACTION:

Request the City Attorney to prepare a resolution in support of SB 603, which establishes a cannabis license deferral and waiver tax credit, and request the City Manager send a letter communicating the City's support of SB 603.

DISCUSSION:

The Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) established the control and regulation of commercial medicinal and adult-use cannabis activities; requires businesses to go through an application, licensing, and renewal process to operate; and requires the Bureau of Cannabis Control to administer a grant program to assist with the development of a local jurisdiction's local equity program or to assist applicants and licensees in a local jurisdiction's equity program.

MAUCRSA also required a state licensing authority, on or before January 1, 2021, to develop and implement a program to provide a deferral or waiver for an application fee, a licensing fee, or a renewal fee for a needs-based applicant or needs-based licensee, as specified. Existing law made the operation of those provisions contingent upon an appropriation in the annual Budget Act or another statute for purposes of those provisions.

SB603 would remove the above-mentioned date and the appropriation condition on the operation of those provisions thereby requiring a state licensing authority to develop and implement that fee deferral or waiver program.



The legal cannabis industry has been calling for tax relief to provide the support it needs to stay in business against illegal operators, who continue to profit. The industry's regulations ensure cannabis is brought to consumers in a safe, reliable, and accessible way; however, price differences due to taxes, municipal bans, licensing delays, and a lack of enforcement placed on top of these regulations are threatening California's vision for adult-use cannabis.

The vast majority of legal cannabis businesses have been struggling since the implementation of Proposition 64. By providing this needed relief to social equity businesses, SB 603 will help businesses owned by communities of color that provide low income earners with job opportunities.

This matter was reviewed by Budget Manager Grace H. Yoon on March 29, 2021.

FISCAL IMPACT:

This recommendation requests the City Attorney to prepare a resolution in support of SB 603, which establishes a cannabis license deferral and waiver tax credit. The preparation of the Resolution is anticipated to have a minimal impact on staff hours beyond the budgeted scope of duties and is expected to have minimal impact on existing City Council Priorities. It is unknown, however, what the fiscal impact is from the support of the Resolution with regards to its impact on current City taxes and revenue generation. Due to the urgency and time sensitivity of this item per the requesting Districts, no Financial Management review on potential fiscal impact on City revenues was able to be conducted.

SUGGESTED ACTION:

Approve Recommendation

AMENDED IN SENATE MARCH 10, 2021

SENATE BILL

No. 603

Introduced by Senator Bradford

February 18, 2021

An act to amend Section ~~26000~~ 26249 of the Business and Professions Code, and to add Section 17053.71 to the Revenue and Taxation Code, relating to cannabis.

LEGISLATIVE COUNSEL'S DIGEST

SB 603, as amended, Bradford. ~~Medicinal and Adult-Use Cannabis Regulation and Safety Act. Cannabis license deferral and waiver fee program: tax credit.~~

The Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), an initiative measure, authorizes a person who obtains a state license under AUMA to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. Existing law, the Medicinal and Adult-Use Cannabis Regulation and Safety Act, Act (MAUCRSA), among other things, consolidates the control and regulation of commercial medicinal and adult-use cannabis activities.

MAUCRSA generally divides responsibility for the state licensure and regulation of commercial cannabis activity among the Department of Consumer Affairs, the Department of Food and Agriculture, and the State Department of Public Health. MAUCRSA requires these licensing authorities to establish a scale of application, licensing, and renewal fees, based upon the cost of enforcing MAUCRSA, as specified.

AUMA establishes the California Cannabis Tax Fund as a continuously appropriated fund consisting of specified taxes, interest, penalties, and other amounts imposed by AUMA. AUMA requires the Controller to make, as specified, disbursements from the fund for various

purposes, including, among others, administering programs related to community reinvestment, youth education, prevention, early intervention and treatment, environmental restoration and protection, and public health and safety. AUMA prohibits the Legislature, prior to July 1, 2028, from changing the allocations to those programs. Before making those disbursements, AUMA requires the Controller to disburse funds to various state entities for reasonable costs in carrying out their duties under AUMA, including to the state licensing authorities for implementing, administering, and enforcing MAUCRSA to the extent those costs are not reimbursed by the application, licensing, and renewal fees.

MAUCRSA requires the Bureau of Cannabis Control in the Department of Consumer Affairs to administer a grant program to assist with the development of a local jurisdiction's local equity program or to assist applicants and licensees in a local jurisdiction's equity program, and authorizes the bureau to provide technical assistance to the local equity program. MAUCRSA defines local equity program for these purposes to mean a program adopted or operated by a local jurisdiction that focuses on inclusion and support of individuals and communities in California's cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization.

MAUCRSA required a state licensing authority, on or before January 1, 2021, to develop and implement a program to provide a deferral or waiver for an application fee, a licensing fee, or a renewal fee for a needs-based applicant or needs-based licensee, as specified. Existing law made the operation of those provisions contingent upon an appropriation in the annual Budget Act or another statute for purposes of those provisions.

This bill would remove the above-mentioned date and the appropriation condition on the operation of those provisions thereby requiring a state licensing authority to develop and implement that fee deferral or waiver program.

The Personal Income Tax Law allows various credits against the taxes imposed by that law. Existing law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes and objectives that the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill would allow a credit against those taxes for each taxable year beginning on or after January 1, 2021, equal to the amount of

state and local cannabis licensing fees paid by a local equity applicant or a local equity licensee, as those terms are defined by MAUCRSA. The bill also would state the intent of the Legislature to comply with the additional information requirement for any bill authorizing a new income tax credit.

AUMA authorizes the Legislature to amend the act to further the purposes and intent of the act with a ²/₃ vote of the membership of both houses of the Legislature, except as provided.

This bill would declare that its provisions further the purposes and intent of AUMA.

~~This bill would make a nonsubstantive change to the provision that states this intent.~~

Vote: ~~majority~~²/₃. Appropriation: no. Fiscal committee: ~~no~~-yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 26249 of the Business and Professions
2 Code is amended to read:

3 26249. (a) Notwithstanding Sections 26012 and 26180, ~~on or~~
4 ~~before January 1, 2021~~, a licensing authority shall develop and
5 implement a program to provide a deferral or waiver for an
6 application fee, a licensing fee, or renewal fee otherwise required
7 by this division for a needs-based applicant or needs-based licensee.

8 (b) (1) At least 60 percent of the total dollar amount of deferrals
9 of fees pursuant to the program developed and implemented by a
10 licensing authority pursuant to subdivision (a) shall be allocated
11 to the deferral of fees for local equity applicants and licensees.

12 (2) At least 60 percent of the total dollar amount of waivers of
13 fees pursuant to the program developed and implemented by a
14 licensing authority pursuant to subdivision (a) shall be allocated
15 to the waiver of fees for local equity applicants and licensees.

16 (c) A licensing authority may adopt emergency regulations to
17 implement this section. The adoption, amendment, repeal, or
18 readoption of a regulation authorized by this section is deemed to
19 address an emergency, for purposes of Sections 11346.1 and
20 11349.6 of the Government Code, and the licensing authorities
21 are hereby exempted from the requirements of subdivision (b) of
22 Section 11346.1 of the Government Code.

1 ~~(d) The operation of this section is contingent upon an~~
2 ~~appropriation in the annual Budget Act or another statute for~~
3 ~~purposes of this section.~~

4 *SEC. 2. Section 17053.71 is added to the Revenue and Taxation*
5 *Code, to read:*

6 *17053.71. (a) For each taxable year beginning on or after*
7 *January 1, 2021, there shall be allowed against the “net tax,” as*
8 *defined by Section 17039, a cannabis equity business tax credit*
9 *equal to the amount of state and local cannabis licensing fees paid*
10 *by a qualified taxpayer.*

11 *(b) For purposes of this section, “qualified taxpayer” means*
12 *either a local equity applicant or local equity licensee as defined*
13 *in Section 26240 of the Business and Professions Code.*

14 *(c) In the case where the credit allowed by this section exceeds*
15 *the “net tax,” the excess may be carried over to reduce the “net*
16 *tax” in the following taxable year, and succeeding years if*
17 *necessary, until the credit is exhausted.*

18 *SEC. 3. It is the intent of the Legislature to comply with Section*
19 *41 of the Revenue and Taxation Code.*

20 *SEC. 4. The Legislature finds and declares that this act furthers*
21 *the purposes and intent of the Control, Regulate and Tax Adult*
22 *Use of Marijuana Act.*

23 ~~SECTION 1. Section 26000 of the Business and Professions~~
24 ~~Code is amended to read:~~

25 ~~26000. (a) This division shall be known, and may be cited, as~~
26 ~~the Medicinal and Adult-Use Cannabis Regulation and Safety Act.~~

27 ~~(b) The purpose and intent of this division is to establish a~~
28 ~~comprehensive system to control and regulate the cultivation,~~
29 ~~distribution, transport, storage, manufacturing, processing, and~~
30 ~~sale of both of the following:~~

31 ~~(1) Medicinal cannabis and medicinal cannabis products for~~
32 ~~patients with valid physician’s recommendations.~~

33 ~~(2) Adult-use cannabis and adult-use cannabis products for~~
34 ~~adults 21 years of age and over.~~

35 ~~(c) In the furtherance of subdivision (b), this division sets forth~~
36 ~~the powers and duties of the state agencies responsible for~~
37 ~~controlling and regulating the commercial medicinal and adult-use~~
38 ~~cannabis industry.~~

39 ~~(d) The Legislature may, by majority vote, enact laws to~~
40 ~~implement this division, provided those laws are consistent with~~

- 1 ~~the purposes and intent of the Control, Regulate and Tax Adult~~
- 2 ~~Use of Marijuana Act.~~

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