

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your

RULES AND ELECTIONS

Committee

reports as follows:

RULES AND ELECTIONS COMMITTEE REPORT relative to placing on the March 2011 ballot a measure that establishes a new business license tax on recreational marijuana businesses, if Proposition 19 is approved by voters.

Recommendation for Council action, as initiated by Motion (Hahn - Rosendahl):

REQUEST the City Attorney to prepare and present an ordinance to present to the voters a measure to establish a tax on recreational marijuana businesses of \$100 per \$1,000 in gross receipts and to exempt all such businesses from any businesses tax incentive programs that could result in the reduction of principal tax owed.

Fiscal Impact Statement: Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

(Planning and Land Use Management Committee waived consideration of the above matter)

SUMMARY

At a special meeting held October 27, 2010, the Rules and Elections Committee considered a Motion (Hahn – Rosendahl) and a Chief Legislative Analyst report dated October 22, 2010 that would place a measure on the March 2011 ballot to establish a new business license tax on recreational marijuana businesses, if recreational use of marijuana is legalized under Proposition 19.

The CLA reports that several approaches to taxing medical marijuana have been considered, but the City Attorney has indicated that any tax based on sales or business activities could be a basis for this tax.

To avoid legal concerns relate to recognizing these entities as businesses, the City crafted a medical marijuana ordinance based on the concept of collectives. As such, they are not businesses, there are no gross receipts received by the business, there are no paying customers and there is no basis for a business or sales tax.

Proposition 19 would allow legalization of certain medical marijuana related activities, allow local governments to regulate and implement a tax on these activities. The City may be able to charge certain fees and assessments associated with the licensing of establishments created to sell marijuana products.

If the Council chooses to place a tax on marijuana products, a new rate per 41,000 in gross receipts on all marijuana products would be consistent with current practices. The CLA recommends that any business tax incentives currently offered to various businesses in the City not be available to marijuana sales activities.

After discussion and allowing for public comment, the Committee recommended requesting the City Attorney to prepare the necessary ordinance to establish a tax on recreational marijuana businesses of \$100 per \$1,000 in gross receipts and to except all such businesses from any businesses tax incentive programs that could result in the reduction of principal tax owed.

The matter is now forwarded to the Council for its consideration.

Respectfully submitted,

RULES AND ELECTIONS COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
GARCETTI	YES
HAHN	YES
WESSON	YES

BW

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Not Official Until Council Acts