

RECOMMENDATIONS

1. REQUEST the City Attorney, with the assistance of the Chief Legislative Analyst (CLA), the City Administrative Officer (CAO), Office of Finance, and the Chair of the Rules, Elections, Intergovernmental Relations, and Neighborhoods (REIRN) Committee, to prepare the necessary election ordinance and resolutions to place a ballot measure before the voters at the March 7, 2017 Primary Nominating Election entitled the **"Cannabis Enforcement, Taxation, and Regulation Act (CETRA)"**, and that the ballot measure would include the following elements:

Enforcement

- a. Provide for maximum criminal and civil fines (e.g. 20,000 dollars per violation) and for the disconnection of DWP-related utilities for (a) any unlicensed cannabis dispensary after July 31, 2018 or when Proposition D is repealed, whichever is later; and (b) any other unlicensed cannabis-related business after December 31, 2018.
- b. Provide for maximum criminal and civil fines (e.g. 20,000 dollars per violation) for a property owner who leases property to (a) any unlicensed cannabis dispensary after July 31, 2018 or when Proposition D is repealed, whichever is later; and (b) any other unlicensed cannabis-related business after December 31, 2018.

Taxation

- c. Provide that the Office of Finance and/or such other designated agency will administer all tax registration, collection, and auditing of cannabis-related businesses, including full cost recovery and/or the collection of any regulatory fees on cannabis-related businesses.
- d. Require the Office of Finance to provide revenue reports to Council, Mayor, CAO, and the Controller on a quarterly basis, including by each tax category, beginning April 1, 2018.
- e. Implement the following tax rates beginning January 1, 2018:
 - i. Five (5) percent gross receipts tax on medical cannabis sales
 - ii. Ten (10) percent gross receipts tax on recreational cannabis sales
 - iii. One (1) percent gross receipts tax on cannabis distribution, transportation, testing, or research businesses
 - iv. Two (2) percent gross receipts tax on cannabis manufacturing, processing, or cultivation businesses, including any cannabis-related businesses not delineated above
- f. Require the Office of Finance to not renew Business Tax Registration Certificates (BTRCs) for cannabis-related businesses when Proposition D is repealed and issue new BTRCs for licensed cannabis-related businesses only. Furthermore,

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advises Committee chair
Recommendation from

require BTRC renewal annually to ensure only licensed cannabis-related businesses have an active BTRC.

- g. Require the Office of Finance to provide and implement a process whereby cannabis-related business taxes could be remitted in cash by appointment in a secure facility by January 1, 2018.
- h. Require that all cannabis-related business taxes be paid to the City of Los Angeles on a quarterly basis beginning July 1, 2018; and on a monthly basis beginning July 1, 2019.

Regulation

- i. Repeal Proposition D (approved May 2013) effective January 1, 2018, unless another date is specified by the City Council, by majority vote through Resolution.
 - j. Return authority to the City of Los Angeles to regulate all aspects of the cannabis industry immediately, including authorizing the City Council to make any changes to this ordinance.
 - k. Specifically state that nothing in this ordinance is interpreted or intended to be in conflict with state law, except as allowed for by a charter city, and authorize the City Council to change any provision necessary to conform with state law.
- 2. AUTHORIZE the City Attorney, with the assistance of the Chair of the REIRN Committee, to make any technical modifications and/or legal corrections to the draft election ordinance, draft ballot resolutions, and any other related actions listed above in order to further the objectives as described in these recommendations.
 - 3. REQUEST the City Attorney to transmit the necessary reports, draft ordinance, and draft ballot resolutions as outlined above to the City Clerk's office no later than 2pm on Friday November 4, 2016.
 - 4. INSTRUCT the City Clerk to keep Council File No. 14-0366-S5 active and all reports on file pending for potential future action by the REIRN Committee.