

**ORDINANCE NO. \_\_\_\_\_**

An ordinance amending Sections 21.51 and 21.52 of Article 1 of Chapter II of the Los Angeles Municipal Code to temporarily reduce the gross receipts tax for certain medical and nonmedical cannabis businesses.

**WHEREAS**, on November 8, 2016, the voters of the State of California approved Proposition 64, an initiative also known as the Adult Use of Marijuana Act (AUMA). AUMA legalized the personal possession of an ounce or less of cannabis and/or up to eight grams of concentrated cannabis. Retail sales of nonmedical cannabis was also legalized pursuant to a state license;

**WHEREAS**, in order to protect the public and consumers of medical and nonmedical cannabis, and reduce the negative secondary impacts on the City's communities, the City enacted an initial comprehensive regulatory and enforcement system, as approved by the voters of the City of Los Angeles on March 7, 2017, and embodied in Proposition M;

**WHEREAS**, Proposition M also enacted a new gross receipts tax regime of various rates on those who engage in the commercialization of nonmedical and medical cannabis, including their derivative products and services, as set forth in Sections 21.51 and 21.52 of Article 1 of Chapter II of the Los Angeles Municipal Code;

**WHEREAS**, to mitigate against the black market growth of medical and nonmedical cannabis, the City desires to reduce the gross receipts tax temporarily on those who engage in the commercialization of nonmedical and medical cannabis; and

**WHEREAS**, the reduction of the gross receipts taxes contained in this ordinance shall be contingent upon the passage of the City ballot measure known as the Cannabis Reinvestment Act (Proposition \_\_\_) by the voters of the City of Los Angeles at a Special Election called and consolidated with the State's General Election held on November 6, 2018.

**NOW, THEREFORE,**

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

Section 1. Subsection (b) of Section 21.51 of Article 1 of Chapter II of the Los Angeles Municipal Code is amended in its entirety to read as follows:

(b) For purposes of this section, the business tax to be imposed shall be as follows:

1. Every person with a license that is engaged in the business of conducting the sale of cannabis and/or cannabis products shall pay a business

tax of \$100.00 for each \$1,000.00 of gross receipts or fractional part thereof. The sale of medical cannabis shall be taxed as provided under Section 21.52 of this Article. For the following tax years, the business tax authorized under this subdivision shall be reduced as follows:

(i) For the tax year beginning on January 1, 2020, \$80.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(ii) For the tax year beginning on January 1, 2021, \$85.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(iii) For the tax year beginning on January 1, 2022, \$90.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(iv) For the tax year beginning on January 1, 2023, \$95.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(v) For the tax year beginning on January 1, 2024 and thereafter, the tax rate shall return to the original authorized rate of \$100.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(vi) The reduced tax rates contained in Paragraphs (i)-(iv) above shall not apply to any person described in Subdivision (1) who permits the consumption of cannabis and/or cannabis products on the business premises; those persons shall continue to pay a business tax of \$100.00 for each \$1,000.00 of gross receipts or fractional part thereof.

2. Every person with a license that is engaged in the business of transporting cannabis and/or cannabis products shall pay a business tax of \$10.00 for each \$1,000.00 of gross receipts or fractional part thereof. For the following tax years, the business tax authorized under this subdivision shall be reduced as follows:

(i) For the tax year beginning on January 1, 2020, \$2.50 for each \$1,000.00 of gross receipts or fractional part thereof.

(ii) For the tax year beginning on January 1, 2021, \$5.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(iii) For the tax year beginning on January 1, 2022, \$7.50 for each \$1,000.00 of gross receipts or fractional part thereof.

(iv) For the tax year beginning on January 1, 2023 and thereafter, the tax rate shall return to the original authorized rate of \$10.00 for each \$1,000.00 of gross receipts or fractional part thereof.

3. Every person with a license that is engaged in the business of testing cannabis and/or cannabis products shall pay a business tax of \$10.00 for each \$1,000.00 of gross receipts or fractional part thereof. For the following tax years, the business tax authorized under this subdivision shall be reduced as follows:

(i) For the tax year beginning on January 1, 2020, \$2.50 for each \$1,000.00 of gross receipts or fractional part thereof.

(ii) For the tax year beginning on January 1, 2021, \$5.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(iii) For the tax year beginning on January 1, 2022, \$7.50 for each \$1,000.00 of gross receipts or fractional part thereof.

(iv) For the tax year beginning on January 1, 2023 and thereafter, the tax rate shall return to the original authorized rate of \$10.00 for each \$1,000.00 of gross receipts or fractional part thereof.

4. Every person with a license that is engaged in the business of researching cannabis and/or cannabis products shall pay a business tax of \$10.00 for each \$1,000.00 of gross receipts or fractional part thereof.

5. Every person with a license that is engaged in the business of manufacturing or cultivating cannabis and/or cannabis products shall pay a business tax of \$20.00 for each \$1,000.00 of gross receipts or fractional part thereof. For the following tax years, the business tax authorized under this subdivision shall be reduced as follows:

(i) For the tax year beginning on January 1, 2020, \$5.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(ii) For the tax year beginning on January 1, 2021, \$10.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(iii) For the tax year beginning on January 1, 2022, \$15.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(iv) For the tax year beginning on January 1, 2023 and thereafter, the tax rate shall return to the original authorized rate of \$20.00 for each \$1,000.00 of gross receipts or fractional part thereof.

6. Every person with a license that is engaged in the business relating to the commercialization of cannabis and/or cannabis products not specifically taxed under this Section shall pay a business tax of \$20.00 for each \$1,000.00 of gross receipts or fractional part thereof.

Sec. 2. Subsection (b) of Section 21.52 of Article 1 of Chapter II of the Los Angeles Municipal Code is amended to read as follows:

(b) For purposes of this Section, the business tax to be imposed shall be as follows:

1. Every person with a license engaged in the business of conducting the sale of medical cannabis shall pay a business tax of \$50.00 for each \$1,000.00 of gross receipts or fractional part thereof. For the following tax years, the business tax authorized under this subdivision shall be reduced as follows:

(i) For the tax year beginning on January 1, 2020, \$30.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(ii) For the tax year beginning on January 1, 2021, \$35.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(iii) For the tax year beginning on January 1, 2022, \$40.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(iv) For the tax year beginning on January 1, 2023, \$45.00 for each \$1,000.00 of gross receipts or fractional part thereof.

(v) For the tax year beginning on January 1, 2024 and thereafter, the tax rate shall return to the original authorized rate of \$50.00 for each \$1,000.00 of gross receipts or fractional part thereof.

Sec. 3. The reduction in business tax rates authorized, provided for and ordered by this ordinance shall not become operative unless the City special tax proposition known as the Cannabis Reinvestment Act (Proposition \_\_\_\_), imposing special taxes on certain cannabis-related activities, is approved by the voters of the City of Los Angeles at the Special Election called and consolidated with the State General Election held on November 6, 2018.

Sec. 4. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By   
CHARLES HONG  
Deputy City Attorney

Date 6/15/18

File No. \_\_\_\_\_

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I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles.

CITY CLERK

MAYOR

\_\_\_\_\_

\_\_\_\_\_

Ordinance Passed \_\_\_\_\_

Approved \_\_\_\_\_