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To: The Honorable Bob Blumenfield
 From: The Southern California Coalition
 The California Minority Alliance
 Americans for Safe Access

Date: 12-4-17
 Submitted in REIR Committee
 Council File No: 17-0768
 Item No: 2
 Deputy: Public

Re: The Motion to Ban Non-Cash Transactions in Amended Motion 6A
 CF: 17-0768

Date: December 3, 2017

Be advised that your proposal that cannabis businesses be barred from cash payments to the City of Los Angeles (the City) is a dangerous and untenable proposal, universally opposed by the above referenced entities for the following reasons:

- Todd Bouey, Assistant Director in the Department of Finance, has testified before a government committee convened by Treasurer John Chiang, that only 20% of the Los Angeles Cannabis Industry currently pays their City taxes in cash.
- To ban all cash transactions when only 1/5th of cannabis taxpayers remit in cash is a hasty, hysterical and thoughtless gesture which will hobble tax collection by the City and needlessly endanger the cannabis community's licensure.
- Per the terms of the proposed city ordinance, all licensees must be current in their tax payments. By banning cash payments you create a situation where a taxpayer who must pay in cash cannot do so and as a result loses their business license or the ability to obtain a license.
- You have previously put forward a motion which would force all cannabis taxpayers to use a system you've championed, the Linx System, which is basically a debit card which would be linked to kiosks in the Department of Finance.
- Your current insistence that cash payments be banned, forces cannabis businesses towards this uninsured, untested and federally illegal system of payment, which can easily be characterized as a form of money laundering by the federal government.
- It is inappropriate for an elected official to attempt to pass related legislation which would indirectly or directly force taxpayers to use a private company the elected official has previously attempted to benefit by proposing legislation favorable to that company.
- Banning all cash payments forces the cannabis industry to result to subterfuge to pay their taxes, either by patronizing "management companies" or using debit card systems which are uninsured, typically underfunded and have no meaningful track record in the marketplace.



- Forcing law abiding citizens to patronize these management companies or debit card systems in your capacity as an elected official, means that the City of Los Angeles could be implicated in any actions brought by the federal government relating to money laundering.
- Neither the City nor taxpayers would have enough information about these types of companies to ascertain if their other clients were compliant with finance laws or simply using these entities to launder money.
- The Board of Equalization welcomes cash payments and adjusted their operating systems to accept cash, passing a state law to accommodate this. They recognize that their taxpaying clients have no other way to pay.
- The City of Los Angeles should similarly recognize that the cannabis industry is forced to make cash payments due to federal law and should not put taxpayers in the position of defaulting on tax payments purely because the City refuses to accept cash.
- Banning cash payments when taxpayers have no other way to pay would force taxpayers to sue the City to obtain the right to pay with cash. Law abiding citizens, however much they may abhor such litigation would have no other choice if they wished to continue operating their businesses.

For the reasons stated above, our organizations urge you to abandon Motion 6A.

Cc: The Honorable REIR Committee

Encl: Blumenfield Motion Re: Linx Card System

MOTION

In March 2017, Los Angeles City voters approved Measure M, which would allow the City to license and regulate recreational marijuana businesses. Currently, there are approximately 130 medical marijuana dispensaries that comply with Proposition D and are required to pay applicable taxes to the City. These medical marijuana dispensaries will have the opportunity to be the first to apply for City recreational selling licenses once they become available for distribution.

A common problem with both medical and recreational dispensaries is that the business mainly deals with cash transactions. Major credit card companies do not allow their cards to be used to purchase cannabis because it is a Schedule I drug, and they do not want to risk legal action by the federal government. Cash businesses are themselves vulnerable to theft, and can be magnets for crime. For the City, the cash transactions make it difficult to determine whether businesses are correctly reporting their sales and paying their taxes. In addition, many dispensaries choose to pay their City-owed taxes with large amounts of cash which creates problems for the Office of Finance.

Linx Card, Inc. is a company that has created a purchasing card specifically for marijuana dispensaries. The company's stated goal is to enable licensed dispensaries to legally accept card payments and to help them minimize the risks associated with handling cash, thereby creating a safer and smarter environment for dispensary owners, employees and customers. Not only can customers load their Linx Card with their credit or debit card through an online system, but with the help of Linx kiosks, they can convert cash into a card or add to their existing card.

For the City, a Linx Card or a similar type of card can track sales and instantly determine the amount of taxes owed to the City. In addition, it can send tax payments directly to the City for each legally operated dispensary. Not only does that help make sales receipts accurate, but it obviates the need for the Office of Finance to accept large cash payments from these businesses.

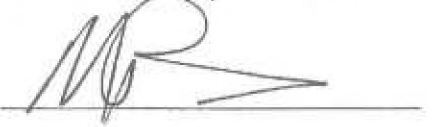
The Linx Card or similar product should be considered as the City prepares to begin issuing licenses for the sale of medical and recreational marijuana. The Office of Finance should explore these systems and determine the pros and cons of either allowing, prioritizing, or requiring dispensaries to use such a system in order to operate legally within the City.

I THEREFORE MOVE that the Office of Finance (Finance) be instructed to report on the viability, benefits, and possible detriments of authorizing, prioritizing or requiring a Linx Card or similar product when issuing licenses for the sale of recreational or medical marijuana.

PRESENTED BY:


 BOB BLUMENFIELD
 Councilmember, 3rd District

SECONDED BY:



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JUN 30 2017

