

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.

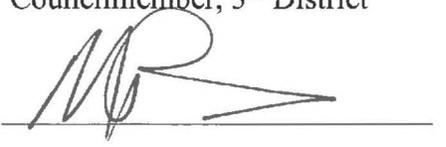
Linx Card, Inc. is a company that has created a purchasing card specifically for marijuana dispensaries. The company's stated goal is to enable licensed dispensaries to legally accept card payments and to help them minimize the risks associated with handling cash, thereby creating a safer and smarter 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: 

ORIGINAL

JUN 30 2017

