

GOVERNMENT OPERATIONS COMMITTEE REPORT relative to the implementation of a business tax amnesty program for cannabis businesses.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. INSTRUCT the Office of Finance to implement a business tax amnesty program for registered cannabis businesses as detailed in the October 2, 2025 Office of Finance report, attached to the Council File, with full waiver of penalties and interest and installment agreements for up to 36 months.
2. APPROPRIATE the following to provide for staffing resources to enact this program, and to be funded by increased Cannabis business tax revenues:
  - a. \$200,000 to Office of Finance General Fund No. 100/39, Overtime General, Account No. 1090
  - b. \$100,000 to the Office of Finance General Fund No. 100/39, Salaries, As Needed, Account No. 1070
3. INSTRUCT the Office of Finance to report to Council, within 45 days of the deadline for businesses to apply for amnesty, with:
  - a. Number of businesses applying
  - b. Number of businesses provided amnesty
  - c. Total amount of liability waived
  - d. Amount of additional revenue anticipated based on participation in the program
4. REQUEST the City Attorney to prepare and present an Ordinance authorizing the business tax amnesty program for registered cannabis businesses.
5. REQUEST the City Attorney, in coordination with the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA), to prepare and present an Ordinance for the creation of the Cannabis Tax Amnesty Program Fund, with said Ordinance to additionally specify that Tax Amnesty Program Fund receipts be programmed in the following manner through the City Annual Budget Process:
  - a. 20 Percent Citywide and Office of Finance reimbursement
  - b. 40 Percent Los Angeles Police Department (LAPD) and City Attorney for illegal cannabis enforcement

- c. 40 Percent Community Investment Department (CID)/Economic and Workforce Development Department (EWDD) for Social Equity Cannabis Business Grants.
6. INSTRUCT the LAPD, EWDD, CID; and, REQUEST the City Attorney to report with an itemized list of staffing and costs associated with the above-mentioned programming options in Recommendation No. 5 for the Cannabis Tax Amnesty Program Fund.

Fiscal Impact Statement: None submitted by the Office of Finance. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

**(Also referred to the Budget and Finance Committee)**

Summary:

On February 3, 2026, your Committee considered an October 2, 2025 Office of Finance report relative the implementation of a business tax amnesty program for cannabis businesses. According to the Office of Finance, the City currently has 738 licensed, registered cannabis business accounts. In compliance with the Los Angeles Municipal Code (LAMC), each of these businesses must be licensed by the Department of Cannabis Regulation (DCR) in order to be eligible for a Business Tax Registration Certificate (BTRC). Business Tax on cannabis products and services is due on a monthly basis, with taxpayers filing and remitting their taxes at the end of each month based on the gross receipts generated in the month prior. Tax rates vary from 1 percent to 10 percent of gross receipts depending on the specific goods and services provided, with retail sales of cannabis for adult use, the largest category, taxed at the highest rate. Over time, many of these businesses have generated significant outstanding business tax liability due to non-payment or underpayment of taxes due.

In prior years, the Office of Finance has offered tax amnesty programs on a citywide basis in an effort to bring delinquent businesses into compliance with tax requirements. These programs were implemented with a primary goal of generating additional one-time business tax revenue, and involved significant outreach and communication with thousands of businesses. Participating businesses were offered waiver of all accrued penalties in return for full reporting of all gross receipts and payment of all tax and interest due. Businesses that required additional time were allowed to enter into a 12-month installment agreement in order to resolve their liability.

The last time the Office of Finance offered tax amnesty was in Fall of 2020, and generated approximately \$20.6 million revenue from 6,190 businesses. Finance has not historically offered industry-specific amnesty. However, it's recognized that the current business environment in the cannabis industry is extremely challenging. Due to widespread non-compliance with tax and permit regulations feeding a thriving black market, combined with

a tax burden which vastly exceeds the rates paid by other industries, legally permitted cannabis businesses face a daunting task.

While forgiving a portion of outstanding tax liability will not address these challenges going forward, it could present an opportunity for some of these businesses to get themselves on the right side of the law and gain some financial stability and certainty. At the same time, to the extent that participating businesses are successful in paying off liability they would not otherwise have paid, this will generate additional business tax revenue to the City. Currently, more than 500 businesses owe a total of \$400 million in outstanding taxes, which includes \$35 million in accrued interest and \$100 million in penalties. 329 of these businesses owe less than \$200,000, while 48 owe more than \$2 million. However, it should be noted that these amounts include liabilities which are more than three years old and are therefore past the statute of limitations and the City is not able to legally collect on them. They also include assessments relating to businesses which are no longer operating but never canceled their tax accounts. Filtering out this data for only currently licensed businesses and excluding out-of-statute liabilities, the total liability is around \$150 million. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendations contained in the Office of Finance report, as amended. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Government Operations Committee

**COUNCILMEMBER VOTE**

PADILLA: YES  
LEE: YES  
JURADO: YES

ARL  
2/3/26

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**