

GOVERNMENT OPERATIONS and BUDGET AND FINANCE COMMITTEES' REPORTS relative to the implementation of a business tax amnesty program for cannabis businesses.

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

1. INSTRUCT the Office of Finance (OOF) to:
 - a. Implement a business tax amnesty program for registered cannabis businesses as described in the May 26, 2026 OOF report, attached to the Council File, with full waiver of penalties and interest and installment agreements for up to three years, with longer agreements up to five years available to small businesses with comparatively large liabilities.
 - b. Report to Council, within 45 days of the deadline for businesses to apply for the amnesty program, with:
 - i. Number of businesses applying, the number of businesses provided amnesty
 - ii. Total amount of liability waived
 - iii. Amount of additional revenue anticipated based on participation in the program.
 - c. Report with a plan to establish a Social Security Tax Exemption for social equity cannabis businesses, providing options for an exemption threshold between \$100,000 and \$1,000,000 of their gross receipts.
2. APPROPRIATE \$200,000 to the OOF General Fund No. 100/39 Overtime General Account 001090; and, APPROPRIATE \$100,000 to the OOF General Fund No. 100/39 Salaries As-Needed Account 1070, to be funded by increased cannabis business tax revenues.
3. REQUEST the City Attorney to prepare and present an Ordinance authorizing the cannabis business tax amnesty program as described in the May 26, 2026 OOF report, attached to the Council File.

Fiscal Impact Statement: The Office of Finance reports that based based on some general assumptions about participation and compliance, the Office of Finance projects that this could generate an additional \$10 million in cannabis business tax in the first year. This number would likely decrease somewhat over the second and third years of the installment agreements as businesses drop out of the program or complete their payments, but at this time no meaningful estimate of this reduction is available.

Community Impact Statement: None submitted.

Summary:

On June 2, 2026, the Government Operations (GO) Committee considered May 21, 2026 and May 26, 2026 OOF reports relative to the implementation of a business tax amnesty program for cannabis businesses. According to the OOF, business tax amnesty programs work by giving eligible businesses an opportunity to come forward to the Office of Finance with all relevant tax measures and either pay or enter into an agreement to pay the balance due. In return, the OOF commits to waiving a portion of the liability. As proposed, Cannabis businesses which have outstanding tax liabilities will be eligible to enter into the program by either paying their liability or entering into an installment agreement of up to 36 months. In return, the OOF will waive one hundred percent of penalties and accrued interest. Businesses that resolve their liability in one of these ways will be considered “in good standing” relative to their tax obligations by the Office of Finance.

Businesses entering into the program will need to report gross receipts data for any periods that are missing and agree to cooperate with audit of any tax reporting that has not been audited. They also will need to commit to ongoing compliance with regular tax reporting and payment requirements. Missing a monthly payment of either the installment agreement or the monthly tax filing will be grounds for termination of the agreement and the waiver of penalties and interest.

After consideration and having provided an opportunity for public comment, the GO Committee moved to recommend approval of the recommendations contained in the May 26, 2026 OOF report. Subsequently, on June 16, the Budget and Finance Committee also considered this item. After consideration and having provided an opportunity for public comment, the Committee moved to concur with the GO Committee. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Government Operations Committee

COUNCILMEMBER VOTE

PADILLA:	YES
LEE:	YES
JURADO:	YES

Budget and Finance Committee

COUNCILMEMBER VOTE

YAROSLAVSKY: YES

BLUMENFIELD: YES

HUTT: YES

McOSKER: YES

HERNANDEZ: YES

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6/17/26

-NOT OFFICIAL UNTIL COUNCIL ACTS-