



KAREN BASS
MAYOR

May 21, 2026

Honorable Members of the Los Angeles City Council
City Clerk
City Hall, Room 39

Attention: Legislative Coordinator

RE: CANNABIS AMNESTY FOLLOW UP REPORT

At its meeting on March 3, 2026, the City Council instructed the Office of Finance to prepare and present a business tax amnesty program for registered cannabis businesses, with full waiver of penalties and interest and installment agreements for up to 36 months.

This report provides the details of how such a program would work, summarizes the discussion in previous Government Operations and Budget and Finance Committee meetings on the subject, and presents actions for the Council to take to authorize the program.

It is important to note that tax amnesty is one tool the City may utilize to help stabilize the cannabis industry. It is a way of getting businesses with tax liability back into compliance with City tax requirements. Amnesty does not address ongoing issues relating to permitting, enforcement, or any other challenges facing cannabis businesses in the City.

Program Summary

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 Office of Finance 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 Office of Finance 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.

Financial Impact

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.

Council Committee Discussions

Government Operations Committee and Budget and Finance Committee discussed the proposed program at length. In Government Operations, topics included the length of the application period, recommendations to include interest forgiveness and longer installment agreements, and the ability of Finance to help businesses that may miss payments. The final Committee report also included an instruction to create a special fund for the purpose of programming the amnesty revenue to program administration, cannabis business assistance, and enforcement.

Budget and Finance Committee discussed many of these same items, focusing on the need for flexibility in installment agreement terms, outreach, and other departments' ability to utilize the funds that Government Operations Committee had recommended to allocate to them.

On March 3, 2026 the City Council adopted the Budget and Finance Committee Report instructing the Office of Finance to report back on the details of the program.

Possible Alternative Proposals

Based on the discussion in the two Council Committees and full Council, as well as additional input provided by industry representatives, Finance is willing to consider installment agreements of up to five years (60 months) for smaller businesses with high liabilities compared to their gross receipts. This would provide an additional level of relief for businesses that may have more difficulty paying, while not sacrificing the main tenets of the program. This change might reduce the amount of revenue generated in the first year after implementation due to the longer payment term, but this could potentially be offset by increased participation.

Program Timing

The planned roll-out of this program would begin with an outreach campaign, with Finance notifying all eligible businesses of the opportunity and how to proceed if they have questions or want to participate. After that notification, Finance would set an application period of two months for businesses to submit applications. Assuming the

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program is approved by the Council by July, this period would likely run from August through September.

Resource Requirements

As discussed in the October report, Finance would require approximately \$200,000 in funding for overtime and \$100,000 in funding for as-needed salaries in order to handle inquiries, process applications, set up installment agreements, and process payments.

Ordinance Required

In order to authorize the Office of Finance to waive larger penalties and interest liabilities, as well as to offer installment agreements longer than twelve months, the Council will need to request the City Attorney to prepare and present an ordinance allowing for these terms for this program.

Recommendations

That the City Council:

1. Instruct the Office of Finance to implement a business tax amnesty program for registered cannabis businesses as described in this report, 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;
2. Appropriate \$200,000 to the Office of Finance General Fund No. 100/39 Overtime General Account 001090, and appropriate \$100,000 to the Office of Finance General Fund No. 100/39 Salaries As-Needed Account 001070, to be funded by increased cannabis business tax revenues;
3. Instruct the Office of Finance to report back to the Council, within 45 days of the deadline for businesses to apply for the amnesty program, with the number of businesses applying, the number of businesses provided amnesty, the total amount of liability waived, and the amount of additional revenue anticipated based on participation in the program; and,
4. Request the City Attorney to prepare and present a draft ordinance authorizing the cannabis business tax amnesty program as described in this report.

Sincerely,



Diana Mangioglu
City Treasurer / Director of Finance