

**MOTION**

Licensed cannabis businesses in the City of Los Angeles have long been burdened with multiple high taxes on prices of their cannabis products, which includes State excise tax at 15%, Los Angeles City cannabis business tax at 10%, and City Sales Tax at 9.75%. Fundamentally, cannabis businesses are expected to properly itemize the calculation of a **34.75%** on their sales.

Soon, on July 1, 2025, the state of California cannabis excise tax will increase from 15% to 19%, raising the tax on cannabis to **39.75%** in the City. There are current legislative efforts in the State to postpone the increase until the 2030-2031 fiscal year via AB 564 (Haney). The bill passed the Assembly and was referred to the State Senate, on June 2, 2025, where it currently lies.

This high tax rate can be disheartening to cannabis business owners who find themselves competing with the illicit market who sell similar products at a 30% discount. An illicit market that sees little to no enforcement. Nevertheless, in this year's Budget, the City has allocated some funding to LAPD and the City Attorney to begin efforts to close down illegal shops and, as a result, decrease illicit competition.

Additionally, legal markets outside of the City present additional alternatives for consumers and contest the potential sales for Los Angeles businesses. Neighboring cities that allow the sale of cannabis have city cannabis tax rates that position them to compete with the City of Los Angeles: 8% in Long Beach, 5% in Hawthorne, 4% in Pasadena, and 5% in Commerce, to name a few.

The City of Los Angeles generates close to \$100 million in revenue from cannabis sales with the current 10% city tax on cannabis. If the city tax were to be decreased, would that equate to more sales, and hence more revenue for the city in the long run? The City should study what the projected cannabis tax revenue and sales tax outlook would be for the next 5 years if the City were to consider lowering the cannabis tax.

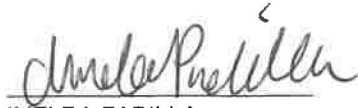
Similarly, the City should consider studying the City of Oakland's tiered cannabis business tax structure that is based on a business's annual gross receipts, as well as their tax rebate program. The purpose of Oakland's approach is to help lower the overall tax burden for compliant businesses while promoting the city's equity goals.

**I, THEREFORE, MOVE** that the City Council instruct the CAO to report with an analysis relative to the revenue impacts of the 19% California cannabis excise tax that will come to effect on July 1, 2025.

**I FURTHER MOVE** that the City Council instruct the City Administrative Officer (CAO) to identify funds and issue a solicitation seeking an outside economic analysis of the potential economic impacts of lowering the City's cannabis tax rate to 1.5%, 3%, 5%, and 8%.

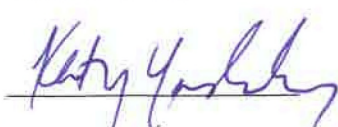
**I FURTHER MOVE** that the City Attorney and CAO be instructed to report back on the feasibility of instituting a cannabis tax policy that is structured like that of the City of Oakland.

PRESENTED BY:



IMELDA PADILLA  
Councilmember, 6th District

SECONDED BY:



JUN 25 2025

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