

Communication from Public

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Council File No: 25-1126

Comments for Public Posting: Subject: Public Comment on Council File 25-1126 – Cannabis Tax Relief Dear Councilmembers, I am writing as a committed stakeholder and advocate for a sustainable, equitable, and accountable cannabis industry in the City of Los Angeles. While I appreciate that this Council has acknowledged the dire circumstances facing legal operators, collapsing sales, soaring operational costs, and unchecked illegal competition, the current motion under Council File 25-1126 does not go far enough to meet the urgency of this moment. Let's be clear: what's being presented is not meaningful relief. There has: No reduction in local cannabis taxes; No forgiveness of accumulated tax or fee debt; No pause in mounting compliance fees, in fact, we just received a fee increase; And no immediate support for operators who are actively at risk of closing their doors. Meanwhile, the State of California recognized its own policy misstep and reversed the excise tax increase, rolling it back from 19% to 15%. Los Angeles must do the same. Rather than introducing new administrative hurdles, the City should be aligning with the State's course correction to stabilize the legal market, not compounding the damage with procedural half-measures. The motion's proposed redefinition of "good standing" may appear technical, but in practice, it has the potential to disproportionately harm the most vulnerable licensees. Many social equity applicants and early operators accrued debt through no fault of their own, often due to delayed licensing rollouts, excessive permitting timelines, and minimal support from the various agencies charged with processing the licenses. In some cases, social equity licensees have been left to bear the full weight of tax and compliance debt after financial partners exited the business once they realized the return on investment was not as immediate or profitable as anticipated. The financial partners in control have made decisions to stop tax payments and refused to address compliance violations knowing that they would pull out of the project. These dynamics must be acknowledged and addressed head-on. Implementing stricter compliance frameworks without direct relief or meaningful input from operators will only further disenfranchise the very communities this program was meant to uplift. This industry does not need another study. It needs decisive action. I urge the Council to adopt the following policy measures:

A multi-year suspension of LA's cannabis business tax; Forgiveness programs for outstanding cannabis-related tax and fee debt; A fair, transparent, and collaboratively developed definition of "good standing"; Protection from punitive enforcement for equity applicants awaiting regulatory relief; Immediate earmarking of cannabis tax revenue to fund enforcement against unlicensed operators and support for licensed, equity-owned businesses; A reduction in the current 10% cannabis tax, with a tiered tax structure modeled after San Francisco; and Relief from compliance violation fines or at least an opportunity for Social Equity individuals to renegotiate a path forward. Since members of this Council have pointed to San Francisco's cannabis framework as a potential model, I strongly urge you to also adopt their tiered social equity tax structure, which is designed to be more equitable and economically viable for smaller operators. Under San Francisco's Cannabis Business Tax (CBT). The first \$1 million in retail cannabis gross receipts is tax-exempt. The next \$500,000 is taxed at 2.5%, and any amount above \$1.5 million is taxed at 5%. Non-retail cannabis businesses are taxed at even lower rates. This model allows small and equity businesses to grow and stabilize before facing steep tax obligations. If Los Angeles is serious about protecting the legal cannabis market, and the equity applicants it has pledged to support, then this Council must go beyond motions and enact real, material reform. Anything less will be remembered as an abdication of responsibility at a critical turning point for this industry. Respectfully, Chris Martinez Stakeholder