

Communication from Public

Name: Chris Martinez

Date Submitted: 11/04/2025 01:51 PM

Council File No: 25-1126

Comments for Public Posting: Cannabis Business Tax Relief for Social Equity Operators: File No. 25-1126 Dear Members of the Budget and Finance Committee, Thank you for your ongoing efforts to address the financial strain facing Los Angeles' cannabis operators through a proposed tax relief program. I would like to offer the following summary of critical points raised by stakeholders, particularly social equity operators, regarding the urgency and structure of this relief.

Urgent Need for Meaningful Tax Relief Social equity operators are disproportionately burdened by the current tax structure. Many are on the verge of closing, not due to mismanagement, but due to the combination of: Excessive local taxes (10%) stacked on top of state excise and sales tax, Predatory partnerships that left equity licensees with tax liabilities and compliance violations, An illicit market that continues to dominate due to lack of enforcement and competitive pricing. If we do not act now, tax revenue will continue to decline as more compliant businesses are forced out of the market. Relief must be structured not only to acknowledge the crisis, but to reverse it.

Equity Operators Carry Fines They Had No Power to Prevent Many social equity licensees were placed in untenable positions by early financing partners. In numerous cases, those partners failed to maintain compliance, misreported taxes, or abandoned operations entirely, leaving the equity owner with debt, unpaid taxes, and DCR-imposed fines. To make matters worse, some of these fines are based on outdated policies. For example, violations such as hosting a DJ, once considered non-compliant, have since been restructured or removed from enforcement. Operators should not be permanently penalized for infractions that are no longer valid under today's rules.

Opportunity to Renegotiate and Reset There should be a formal process for renegotiating or resolving outstanding fines and violations, particularly where: The infractions are outdated or reclassified, The violations occurred under the direction of a non-equity partner, The equity operator was not in operational control. Debt forgiveness, fine mitigation, and case reviews would provide equity operators with a fair chance to rebuild and participate in the legal market as originally intended.

Relief Must Be Built With Operator Input We are grateful for the Council's interest in creating a tax relief program. However, meaningful, effective relief must involve direct input

from those most affected, the operators themselves. Without their feedback, any proposal risks being unworkable or symbolic rather than transformative. A relief structure that is mutually beneficial, that keeps businesses open and compliant, will pay for itself in the long term. More thriving operators means more contributors to the local tax base and fewer resources spent on enforcement. I urge the Members to consider 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. This is not just about policy, it's about preserving the very intent of social equity in Los Angeles. We urge you to advance a relief program that is comprehensive, fair, and grounded in partnership with the people it aims to support. Sincerely, Christopher Martinez, Social Equity Advocate & Stakeholder.

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Thank you for your ongoing efforts to address the financial strain facing Los Angeles' cannabis operators through a proposed tax relief program. I would like to offer the following summary of critical points raised by stakeholders, particularly social equity operators, regarding the urgency and structure of this relief.

Urgent Need for Meaningful Tax Relief

Social equity operators are disproportionately burdened by the current tax structure. Many are on the verge of closing, not due to mismanagement, but due to the combination of:

- Excessive local taxes (10%) stacked on top of state excise and sales tax,
- Predatory partnerships that left equity licensees with tax liabilities and compliance violations,
- An illicit market that continues to dominate due to lack of enforcement and competitive pricing.

If we do not act now, **tax revenue will continue to decline** as more compliant businesses are forced out of the market. Relief must be structured not only to acknowledge the crisis, but to reverse it.

Equity Operators Carry Fines They Had No Power to Prevent

Many social equity licensees were placed in untenable positions by early financing partners. In numerous cases, those partners failed to maintain compliance, misreported taxes, or abandoned operations entirely, leaving the equity owner with debt, unpaid taxes, and DCR-imposed fines.

To make matters worse, some of these fines are based on outdated policies. For example, violations such as hosting a DJ, once considered non-compliant, have since been restructured or removed from enforcement. Operators should not be permanently penalized for infractions that are no longer valid under today's rules.

Opportunity to Renegotiate and Reset

There should be a formal process for renegotiating or resolving outstanding fines and violations, particularly where:

- The infractions are outdated or reclassified,
- The violations occurred under the direction of a non-equity partner,

- The equity operator was not in operational control.

Debt forgiveness, fine mitigation, and case reviews would provide equity operators with a fair chance to rebuild and participate in the legal market as originally intended.

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- 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.

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