

May 26, 2026

Re: Cannabis Tax Amnesty Program

Dear Councilmember Nazarian,

My name is Daniel Sosa and I operate four licensed cannabis dispensaries in the City of L.A.

I would like to share some of my thoughts about the upcoming Cannabis Tax Amnesty Program, and why tax reduction is a necessary component of the Program.

The City of L.A. has created impossible conditions for a retail cannabis business to operate in the City of Los Angeles. Cannabis businesses are taxed at 100 times the rate of other businesses in the City (10% vs. 0.1%). Furthermore, the illicit market thrives, accounting for 60% of the market in the State (by the State's own study. And to make matters EVEN worse, L.A's Department of Cannabis Regulation (at the Mayor's directive) has been renewing licenses of DELINQUENT taxpayers, 48 of which are (as of early 2026) collectively responsible for over \$124 million in unpaid taxes to the City.

Make THAT make sense.

So good faith consumers get stuck paying inflated prices; and good faith operators - like me - get stuck with enormous tax bills that are practically impossible to pay.

So now, to fix it all, the City will be moving forward with a Cannabis Tax Amnesty Program.

But first of all, this WON'T fix it all unless it comes in conjunction with TAX REDUCTION. We need cannabis taxes lowered to 0.1% - just like everyone else - AT LEAST for the duration of the Cannabis Tax Amnesty Program. After the Program's completion in 3-5 years, City Council can re-evaluate whether an increase would be appropriate.

**Cannabis TAX REDUCTION in conjunction with the Cannabis Tax Amnesty Program is imperative because:**

1. **It is only fair to even the playing field for a suffering industry.**

- a. As I mentioned above, licensed cannabis dispensaries pay 100 times the tax rate of other industries including alcohol, tobacco, firearms & ammunition. We pay 100 times the tax rate that multi billion \$\$ corporations doing business in the City pay. And we have to compete against an illicit market which pays zero tax. AND presently, we have to compete against LICENSED dispensaries who have made it their business model to not pay tax - and the City keeps renewing their licenses. **So it's all a big cluster fuck created by the City where no cannabis businesses are currently incentivized to pay tax.** And this was all done in the name of Social Equity see below which makes it even more egregious by the City (See #4 below).
- 2. It will give the City an opportunity to collect a significant amount of money it is owed.**
  - a. The City of L.A. is presently owed ~\$400 million in unpaid cannabis taxes. To put this in perspective, if the City were able to collect all of the money it is owed by cannabis businesses, that would cover 40% of the \$1 billion budget shortfall the City is presently facing. The 48 most egregious tax delinquent businesses collectively owe ~\$124 million in unpaid taxes. The Cannabis Tax Amnesty Program will give the City an opportunity to collect **upwards of \$100 million** of this money.
  - b. Since the City will be asking operators to come up with a significant amount of back taxes - AND stay up to date on current taxes simultaneously - it will be necessary to LOWER CURRENT TAXES to make this economically feasible for operators. And it has to be economically feasible for operators for the Program to succeed.
- 3. It will give tax-compliant operators a chance to get on their feet.**
  - a. Most licensed dispensaries have tax debt. Present conditions are such that there is zero incentive for any cannabis operator to pay tax. Unlicensed dispensaries pay zero tax, the City is renewing the licenses of tax delinquent dispensaries who make it their business model to not pay tax, and good faith dispensary operators - like myself - know that the Tax Amnesty Program is coming, and that interest and penalties will be forgiven, so they are not incentivized to pay tax because they know they will effectively be receiving an interest-free loan from the City. The good faith operators who have tax debt will enter the Amnesty Program to start paying it off, but they will also have to pay current taxes at the same. All of a sudden, after months, if not years, of non-payment, operators will be asked to pay both old taxes, and new taxes, at the same time. That is not a realistic ask at the current 10% tax rate,

therefore lowering **new** taxes moving forward is necessary for that to be possible.

**4. It will bring consumers back to the legal market.**

- a. By the State's own study, the illicit market makes up 60% of the cannabis market in California and the legal market makes up 40%. This discrepancy is even higher in Los Angeles, where the majority of the State's unlicensed dispensaries are located. These unlicensed dispensaries carry products that are untested by the State's licensed testing facilities. These businesses may also sell tobacco, alcohol, or even illicit drugs. They may not do age-verification therefore may sell to minors. Cannabis consumers deserve better. They deserve to know that their cannabis is tested and safe.

**5. It will give the City one last chance to support the Cannabis Industry and Social Equity Program.**

- a. "The Mission of the Social Equity Program is to promote equitable ownership and employment opportunities in the cannabis industry, with the purpose of decreasing disparities in life outcomes for marginalized communities directly impacted by the War on Drugs." Let me pause for a second. Equitable ownership?! These businesses are being driven into tax debt! Let's face it, the results of the Social Equity Program have been far from the intent. If the City truly has good-faith intent with the Social Equity Program, then the current course must be corrected. Lowering City cannabis taxes is the **ONLY WAY** to correct course. City Council must exercise their explicit authority under Measure M to lower the cannabis tax rate.

**6. Overtaxation is what got us here in the first place.**

- a. Overtaxation is the paramount issue facing our industry. We wouldn't even be having this conversation if it were not for overtaxation. We have to learn from our mistakes and make the systemic changes the industry truly needs.

**7. It will set the stage for a more thoughtful approach to cannabis taxation, based on data.**

- a. Measure M allows for City Council to adjust the cannabis tax rate as they see fit. After the completion of the Tax Amnesty Program in 3-5 years, City Council can make a data-driven decision on whether to increase the cannabis tax rate at that time.

Thank you for taking the time to read my letter. I hope that you will take these points into consideration, and vote to lower the cannabis tax rates on licensed dispensaries in conjunction with the Cannabis Tax Amnesty Program.

-Daniel Sosa



Tree House Mid City est. 2007  
5057 W Pico Blvd.  
Los Angeles, CA 90019

*danielmichaelsosa@gmail.com*

Tree House West L.A. est. 2023  
12235 Wilshire Blvd.  
Los Angeles, CA 90025

Fig Trees (Highland Park) est. 2024  
5505 N. Figueroa St.  
Los Angeles, CA 90042

Dr. Greenthumb's Canoga Park est. 2024  
20907 Roscoe Blvd.  
Los Angeles, CA 91304