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CANNABIS REGULATION
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December 15, 2025

COUNCIL FILE: 25-1126

The Honorable City Council
City of Los Angeles
City Hall, Room 395
Los Angeles, CA 90012

Dear Honorable Members:

PROPOSED ORDINANCE AMENDMENTS TO ARTICLE 4, CHAPTER 10 OF THE LOS ANGELES MUNICIPAL CODE CONCERNING CANNABIS REFILEING AND RENEWAL REQUIREMENTS

SUMMARY

The Department of Cannabis Regulation (DCR) recommends amendments to Article 4, Chapter 10, of the Los Angeles Municipal Code (LAMC) concerning the City's commercial cannabis record refileing and renewal requirements. This report proposes amendments to the LAMC to allow an Annual License that is cancelled before its expiration date to be refiled, as well as to hold businesses with the most egregious outstanding tax delinquencies responsible while creating a phased approach to holding businesses with less egregious outstanding tax delinquencies accountable over the next four renewal cycles. Additionally, the Department recommends reverting the renewal period to a pre-pandemic timeline with one late renewal period and a new process to allow DCR to reinstate an expired License within six-months of its expiration.

RECOMMENDATION

That the City Council, subject to approval by the Mayor:

1. Approve amending Los Angeles Municipal Code (LAMC) Section 104.03(h) to: (1) add a provision to allow an Applicant to refile an Annual License Application if the Applicant possessed an Annual License that was cancelled prior to its expiration date; and (2) allow an Applicant to pay or begin a payment plan to pay previously due taxes, and to pay previously due fines or fees to DCR, at the time they refile an abandoned or expired application, or cancelled Annual License.
2. Approve amending Los Angeles Municipal Code (LAMC) Section 104.12 to defer the requirement of City gross receipts tax compliance, subject to certain threshold limits to be adjusted annually, in processing a renewal application of an Applicant or Licensee, as outlined in this report;
3. Approve amending the renewal periods in LAMC Section 104.12, as outlined in this report;
4. Approve establishing a License reinstatement process in LAMC Section 104.12, as outlined in this report; and,
5. Request the Office of the City Attorney (City Attorney), with the assistance of the Department of Cannabis Regulation (DCR), to prepare and present an ordinance to amend the LAMC consistent with this report. The City Attorney may include amendments to sections of the LAMC not directly outlined in this report to ensure internal consistency and enable DCR to implement the intent of this report.

DISCUSSION

Good Standing for the Purposes of Refiling

Currently, Los Angeles Municipal Code (LAMC) section 104.03(h) allows applicants the opportunity to re-start the application process within five years of their application or license expiring or being abandoned as long as they are in good standing and not delinquent on any City tax, fee, fine, or fee payments previously deferred. This allows applicants to retain their application opportunity, and restart the licensing process in the event they have experienced loss of capital, eviction or rising rents, construction delays, or other challenges associated with starting a cannabis business. However, applications may only be refilled if the original application was deemed filed pursuant to LAMC section 104.06(a). This means that applications that were abandoned for failure to pay prior fees, fines or taxes may be ineligible to refile. Allowing applicants the opportunity to come into good standing at the time they refile would afford these applicants a greater chance of success while creating an incentive for the City to receive monies owed. Therefore, DCR recommends allowing an applicant to pay or begin a payment plan to pay previously due taxes, and to pay previously due fines or fees to come into good standing at the time an abandoned or expired application is refilled.

Additionally, under the current provisions of Section 104.03, an Applicant may refile an Annual License Application if the Applicant possessed a License that expired under Section 104.12. However, the LAMC does not include a provision allowing an Applicant to refile an Annual License that was cancelled prior to its expiration date. Since all Licenses expire after 11:59 p.m. on December 31 for the year issued, an Applicant may not initiate the refiling process until the following calendar year. Additionally, the LAMC allows late renewals to be submitted through the last day of February, so the DCR licensing map may not be updated to remove recently expired licenses until after March 1 which prevents DCR from processing a Pre-Application within 700-feet of the expired license since the expired License could be renewed through the last day of February. Amending the LAMC to allow an Annual License, in good standing on the date it was cancelled, to be refilled will enable a commercial cannabis business to refile earlier than their current expiration date and enable DCR to remove cancelled licenses from its licensing map sooner which makes compliant properties available to other prospective applicants sooner.

DCR recommends replacing the existing LAMC 104.03(h) language, as follows:

(h) Refiling Applications. An Applicant may refile an Annual License Application subject to the requirements of this subsection if: (1) the Applicant's Annual License Application was deemed abandoned under Section 104.03(f) after January 1, 2022; (2) the Applicant possessed a License that expired under Section 104.12; or (3) the Applicant possessed an Annual License that was cancelled prior to its expiration date. Applications abandoned after June 30, 2023, may not be refilled unless the Application was deemed filed pursuant to Section 104.06(a). To refile, the Applicant shall be in good standing with the requirements of this article and shall not be delinquent on any City tax, fee, fine, or fee payments previously deferred. For the purposes of this subsection only, an Applicant shall be considered in good standing and not delinquent on fees, fines or taxes, if, within 30 days of the submission of a refilled Application, the Applicant: (1) pays all delinquent taxes or enters into a payment plan with the City's Office of Finance to pay all delinquent taxes; and (2) pays all delinquent fees and fines to DCR. If, within 30 days, the Applicant: (1) does not pay all delinquent taxes or enter into a tax payment plan; or (2) does not pay all delinquent fees and fines, the refilled Application shall be deemed abandoned. The refilled Application shall be submitted by the original Applicant entity. If the Applicant has an active corresponding State provisional license, DCR may grant Temporary Approval through the Applicant's Annual License Application. The refiling process shall be initiated through the DCR Licensing Portal within five years of the date DCR notifies the Applicant by electronic mail that the original Application is abandoned or expired.

Updates to Late Renewal Process

There are currently two late renewal periods, with the first in November and December, and the second in January and February. These late and late-late renewal periods were created in response to the COVID-19 pandemic to allow Applicants and Licensees additional time to meet renewal requirements as the City faced operational challenges and site closures due to the pandemic. Some operators continue to renew during the late-late renewal period in January and February after their License has expired, but do not cease operations in the interim while their late renewal application is pending. Operating without a valid local license is a major violation and may result in the denial of a renewal application. Therefore, DCR recommends modifying the renewal cycle to something similar to the pre-pandemic cycle with one late renewal period.

To address the elimination of the late-late renewal period, DCR recommends creating a new process for an expired license to be “reinstated” within six-months of its expiration date, subject to meeting the renewal requirements and payment of applicable late renewal and inspection fees, without requiring the submission of a new Annual License Application. These amendments will allow DCR to process renewal records before existing Licenses expire and differentiate a renewal with no operational break in the local licensure from a reinstatement which will have an operational break in the local licensure. It will also allow DCR to provide more timely renewal information to other government agencies, reduce non-compliance from businesses that do not timely renew, allow businesses facing operational challenges additional time to make critical business decisions, provide an expedited pathway to License reinstatement without the submission of a new Annual License Application, and utilize grant funds in the most efficient way possible. Therefore, DCR recommends amending LAMC section 104.12(a) to: 1) establish a regular renewal period from September 1 to October 31; 2) establish a late renewal period from November 1 to November 30; 3) establish a reinstatement process for Licensees that fail to timely file a renewal to request reinstatement of their license within six months of its expiration date; 4) continue to allow Licensees that fail to timely file a renewal to be eligible to refile their application; and 5) clarify that modification requests shall not be accepted during the renewal period unless the record has been timely renewed for the following calendar year.

Given the timing of the submission of this report, we recommend that these changes to the renewal cycle schedule and late renewal periods take effect in the following renewal cycle that will begin in September 2026 to avoid confusion.

DCR recommends replacing the existing LAMC 104.12(a) language, as follows:

(a) All records, including Temporary Approvals, Annual Licenses, Annual Licenses with Operating Permits, and records with a status of Local Compliance Underway, shall be renewed annually between September 1 and October 31st. If a record is not timely renewed, it shall expire after 11:59 p.m. on December 31 for the year issued. Modification requests may not be submitted to modify a record during the renewal period unless the record has already been renewed for the following calendar year. To renew any record, an Applicant or Licensee shall submit a renewal application, and pay the applicable renewal fee pursuant to Section 104.19. Failure to receive a notice for renewal from DCR does not relieve a Licensee or Applicant of the obligation to renew. In the event that a License or Operating Permit is not renewed prior to the expiration date, the Licensee shall cease all Commercial Cannabis Activity until such time that the Licensee is issued a new License or Operating Permit from DCR and a State License.

(i) Notwithstanding the deadlines in Subsection (a), after September 1, 2026, Licensees may submit a late renewal application and make a late renewal fee payment between November 1st and November 30th before the expiration date of a License or record. Late renewal applications and/or late renewal fees submitted between November 1st and November 30th shall be subject to the Expedited Services Fees (Time and a Half Rate), provided in Section 104.19(h), which shall be due by November 30th.

(ii) Notwithstanding the deadlines in Subsection (a), after September 1, 2026, Licensees may request reinstatement of an expired License by submitting a late renewal application and making a late renewal fee payment within the first six-months after the expiration date of a License. For the purposes of reinstatement, late renewal applications and/or late renewal fees submitted between January 1st and June 30th shall be subject to the Expedited Services Fees (Time and a Half Rate), provided in Section 104.19(h), which shall be due by June 30th. A Person shall cease all Commercial Cannabis Activity until such time that the Person is issued a new License or Operating Permit from DCR and a State License.

Addressing Outstanding Taxes

In 2017, voters passed Proposition M, which allows gross receipt taxes to be imposed on cannabis businesses, including the sale of adult and medical cannabis, transportation, delivery, testing, manufacturing, or cultivation, and the commercialization of cannabis or cannabis products. Business tax on cannabis activities is due on a monthly basis and considered late if not paid by the last date of the month due. The Office of Finance (Finance) published a [Tax Compliance Guide for the Cannabis Industry](#). The comprehensive guide outlines registration and reporting requirements, tax rates, and examples of tax calculations. As specified under California Revenue and Taxation Code Section 34011.2(d), when making a retail sale of cannabis or cannabis products, cannabis retailers are required to provide their customers with an invoice or receipt that separately states the cannabis excise tax due. Finance collected commercial cannabis business tax of \$109.5 million in 2022, \$104.4 million in 2023, and \$90.5 million in 2024. The breakdown of the tax revenue collected in each quarter is posted online: <https://finance.lacity.gov/cannabis-quarterly-reports>

Between 2021 and 2024, the number of active commercial cannabis licenses more than doubled, as shown in Table 1. However, annual local commercial cannabis business tax revenue collected decreased, as shown in Table 2. These licensing and revenue trends combined with the growing number of uncollectible delinquent commercial cannabis business tax accounts are a symptom of a larger issue: a struggling cannabis industry in need of aid pressured by a thriving illegal market, high taxes, predatory investors, and a federal ban on cannabis.

The number of delinquent commercial cannabis business tax accounts grew from 157 in December 2020 to 856 in December 2025. Sixty percent (510) of the 856 commercial cannabis businesses that became delinquent on City taxes do not have an active DCR record subject to denial, suspension, and/or revocation. Therefore, it's important for the City to address tax non-compliance early before unremitted tax debts become insurmountable and/or the business exits the legal market. 510 commercial cannabis businesses with an estimated \$227.8 million in unremitted tax obligations have exited the local legal market and are no longer licensed to engage in commercial cannabis activity within the City; these taxpayers are marked "NO RECORD TO SUSPEND/REVOKE/DENY" in Table 3.

The City needs to hold delinquent commercial cannabis businesses accountable for remitting taxes on-time before their outstanding taxes balloon to uncollectible levels and/or the Licensee walks away from their tax obligations after consumers have already paid the taxes associated with cannabis. Ignoring this issue hurts revenue assumptions, cuts core City services, undermines the businesses that timely remit taxes, and rewards non-compliance with the LAMC. Therefore, DCR recommends a phased approach that immediately holds the businesses with the most egregious outstanding tax balances responsible and creates a phased pathway for commercial cannabis businesses to renew with the understanding every licensed commercial cannabis business must remain in good standing.

DCR recommends replacing the existing LAMC 104.12(c) language, as follows:

(c) To renew a record, the Applicant or Licensee shall be in good standing with the requirements of this article and shall not be delinquent on any City tax, City fee, or fee payments previously deferred under Section 104.20(c)(4)(ii).

- (i) For purposes of this subsection only, a Licensee who has entered into a payment plan with the City's Office of Finance pursuant to LAMC Section 21.18 to pay all outstanding City-owed business taxes shall not be delinquent on any City tax.
- (ii) For purposes of this subsection only, a Licensee who: (1) owes less than \$1,000,000 in City-owed business taxes, interest, and penalties; and (2) has been delinquent on City-owed business taxes, interest, and penalties for less than four years may file a 2027 renewal application in the renewal period between September 1, 2026 and November 30, 2026.
- (iii) For purposes of this subsection only, a Licensee who: (1) owes less than \$750,000 in City-owed business taxes, interest, and penalties; and (2) has been delinquent on City-owed business taxes, interest, and penalties for less than three years may file a 2028 renewal application between September 1, 2027 and November 30, 2027.
- (iv) For purposes of this subsection only, a Licensee who: (1) owes less than \$500,000 in City-owed business taxes, interest, and penalties; and (2) has been delinquent on City-owed business taxes, interest, and penalties for less than two years may file a 2029 renewal application between September 1, 2028 and November 30, 2028.
- (v) For purposes of this subsection only, a Licensee who: (1) owes less than \$250,000 in City-owed business taxes, interest, and penalties; and (2) has been delinquent on City-owed business taxes, interest, and penalties for less than one year may file a 2030 renewal application between September 1, 2029 and November 30, 2029;
- (vi) For purposes of this subsection only, a Licensee who: (1) owes less than \$100,000 in City-owed business taxes, interest, and penalties; and (2) has been delinquent on City-owed business taxes, interest, and penalties for less than one year may file a renewal application on or after September 1, 2030.

CONCLUSION

DCR recommends amending LAMC Section 104.03 to expand the refiling process to include an Annual License cancelled before its expiration date, as well as Section 104.12 to revert the renewal period to its pre-pandemic period with one late renewal period, establish a reinstatement process for Licenses that expire, and establish additional reasons an Applicant or Licensee shall not be deemed delinquent on any City tax for the purposes of processing a renewal application, as outlined in this report; as of December 2025, an estimated \$416 million in outstanding commercial cannabis business taxes, penalties, and interest are due. Failure to amend the LAMC to implement the recommendations in this report may result in the denial of hundreds of commercial cannabis business licenses associated with the 346 businesses with open DCR records.

Sincerely,



Jason Killeen
Assistant Executive Director

Table 1. Commercial Cannabis Licenses Issued (2021-2024).

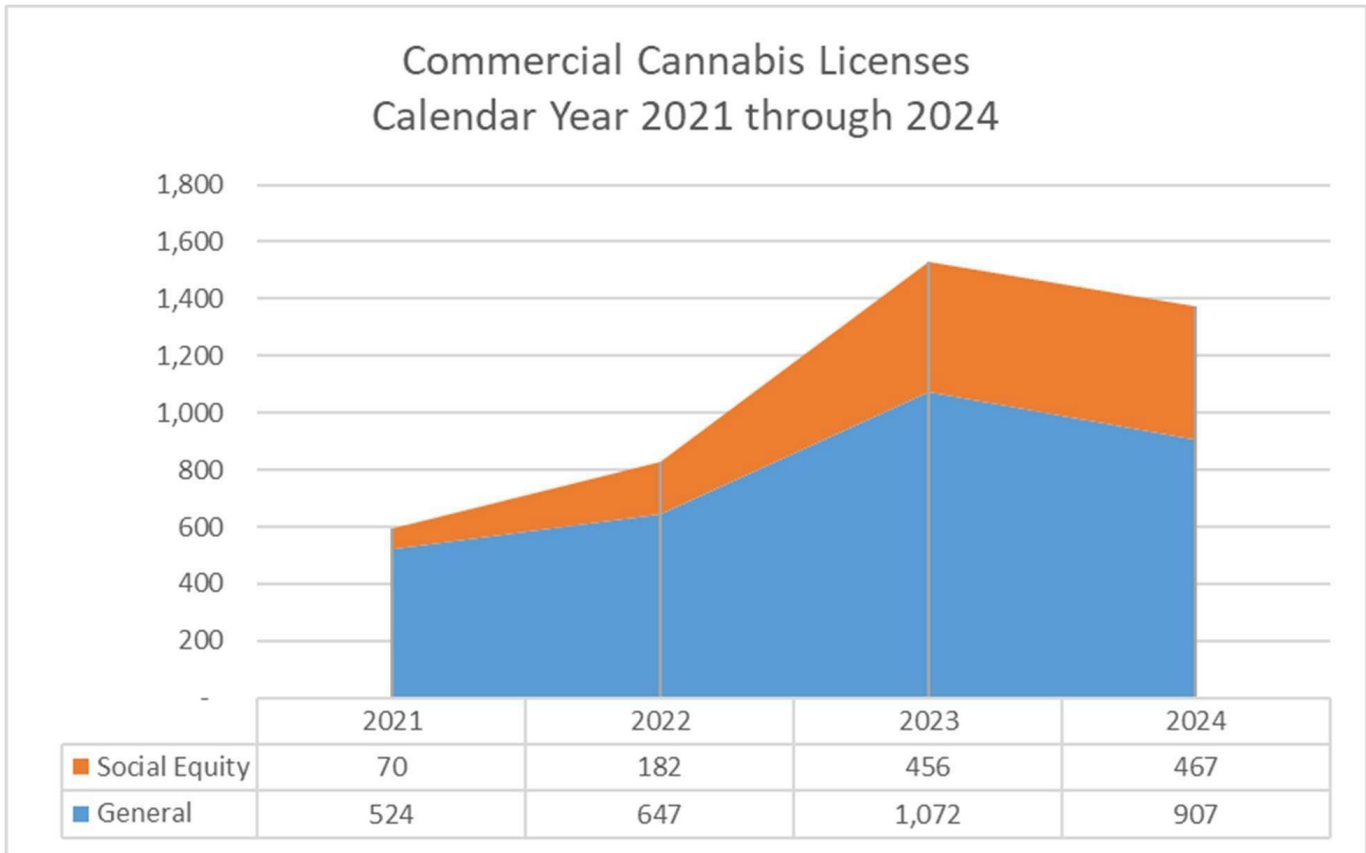


Table 2. Commercial Cannabis Business Taxes Collected (2018-2024).

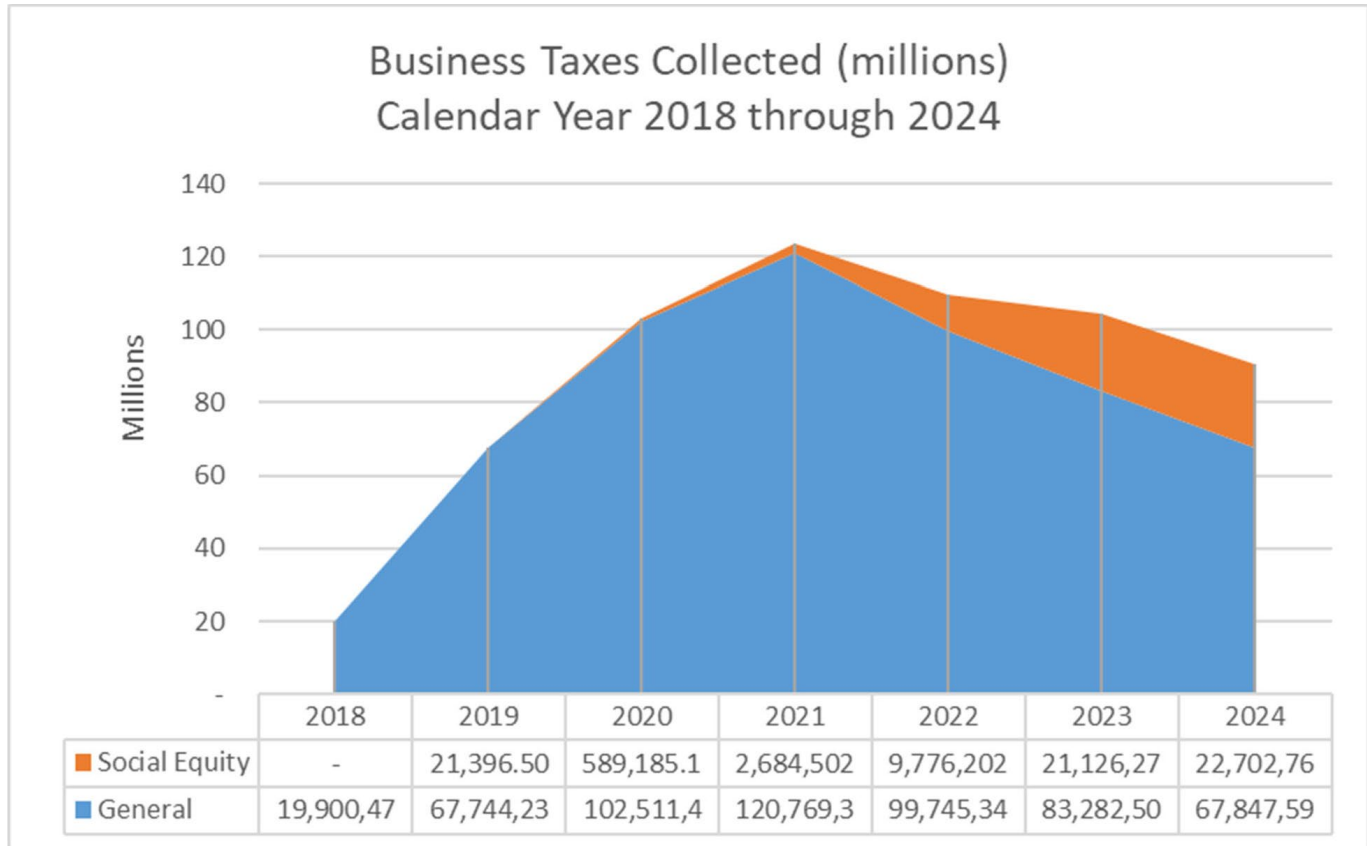


Table 3. Cannabis Taxpayers with Unremitted* Tax Balances by Group (December 2025 Data).

Tax Balance Group/DCR Record	Sum of Tax Balance	Count of Taxpayers	Avg Tax Due
A - Owe Over \$1 million	\$314,506,176.85	93	\$3,381,786.85
No Record to Suspend/Revoke/Deny	\$190,373,575.47	45	\$4,230,523.90
Open DCR Record	\$124,132,601.38	48	\$2,586,095.86
B - Owe \$750,000 to \$999,999	\$13,100,465.36	15	\$873,364.36
No Record to Suspend/Revoke/Deny	\$3,191,645.44	4	\$797,911.36
Open DCR Record	\$9,908,819.92	11	\$900,801.81
C - Owe \$500,000 to \$749,999	\$29,003,486.83	46	\$630,510.58
No Record to Suspend/Revoke/Deny	\$5,567,706.03	9	\$618,634.00
Open DCR Record	\$23,435,780.80	37	\$633,399.48
D - Owe \$250,000 to \$499,999	\$23,019,361.07	61	\$377,366.57
No Record to Suspend/Revoke/Deny	\$7,821,753.69	21	\$372,464.46
Open DCR Record	\$15,197,607.38	40	\$379,940.18
E - Owe \$100,000 to \$249,999	\$15,256,010.89	96	\$158,916.78
No Record to Suspend/Revoke/Deny	\$5,317,778.95	36	\$147,716.08
Open DCR Record	\$9,938,231.94	60	\$165,637.20
F - Owe \$50,000 to \$99,999	\$9,987,426.15	150	\$66,582.84
No Record to Suspend/Revoke/Deny	\$6,675,412.25	102	\$65,445.22
Open DCR Record	\$3,312,013.90	48	\$69,000.29
G - Owe \$10,000 to \$49,999	\$11,518,319.49	395	\$29,160.30
No Record to Suspend/Revoke/Deny	\$8,924,432.35	293	\$30,458.81
Open DCR Record	\$2,593,887.14	102	\$25,430.27
Grand Total	\$416,391,246.64	856	

*The unremitted tax amount of \$416 million consists of taxes from self-reporting and estimated assessments, as well as accrued interest and penalties. It should also be noted that these amounts include liabilities which are more than three years old. See Council File no. [25-0600-S125](#) for more information.

- The tax is self-reported by the taxpayer to the Office of Finance and it is the responsibility of the taxpayer to register for all tax classifications and report all gross receipts earned;
- Failure to self-report results in an estimated assessment and the data includes assessments relating to businesses which are no longer operating but never canceled their tax accounts; and,
- Unpaid taxes accrue interest and penalties.