

Communication from Public

Name: Luis Rivera
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Council File No: 26-0791
Comments for Public Posting: Letter for Council File: 26-0791



Social Equity LA

7572 San Fernando Rd
Sun Valley, CA 91331
www.socialequityla.org

June 01, 2026

Government Operations Committee
Los Angeles City Council
200 N. Spring Street
Los Angeles, CA 90012

RE: Support with Recommendations – Cannabis Business Tax Amnesty Program

Council File No. 25-0600-S125

Dear Chair Padilla and Members of the Government Operations Committee:

On behalf of Social Equity LA, we write in support of the proposed Cannabis Business Tax Amnesty Program contained in Council File 25-0600-S125.

We appreciate the City's efforts to address the ongoing challenges facing licensed cannabis businesses and to create a pathway for operators to return to compliance. The Office of Finance proposal recognizes the difficult economic conditions that have impacted the industry and appropriately recommends a full waiver of penalties and accrued interest for participating businesses.

The regulated cannabis industry continues to face significant obstacles, including excessive tax burdens, inflation, declining wholesale prices, limited access to capital, and continued competition from the illicit market. Many operators accumulated tax liabilities during these extraordinary circumstances despite making substantial efforts to remain compliant.

While we support the overall framework of the proposed amnesty program, we respectfully request that the Committee consider several modifications that would increase participation, improve long-term compliance, and maximize future tax revenue.

The Office of Finance recommends installment agreements of up to three years, with longer agreements of up to five years available only to certain small businesses with comparatively large liabilities.

We respectfully believe a uniform five-year (60-month) repayment term should be available to all participating operators.

A standard repayment structure creates fairness, predictability, and ease of administration. It also avoids subjective determinations regarding which businesses qualify for extended repayment terms.

Most importantly, smaller liabilities do not necessarily indicate a greater ability to pay. Many smaller operators have thinner profit margins, fewer financial resources, and less access to capital than larger businesses. Requiring shorter repayment periods may unintentionally place greater pressure on businesses that are already struggling to survive.

The primary objective of amnesty should be long-term compliance.

Payment obligations should be structured at levels that allow businesses to remain operational, retain employees, maintain regulatory compliance, and continue generating tax revenue for the City.

An operator who remains in business and compliant over the next five years will generate substantially more revenue for the City than an operator who defaults under an aggressive repayment schedule and ultimately closes.

The report notes that longer repayment terms could reduce first-year revenue but may be offset through increased participation. We believe increased participation should be the City's primary goal.

We recognize that the City is facing fiscal challenges and has a legitimate interest in accelerating collections.

Rather than requiring shorter repayment schedules, the City should consider voluntary incentives for businesses that can provide larger upfront payments.

One possible approach would be to provide a reduction in principal equal to the percentage paid upfront.

Examples:

- 10% upfront payment = 10% reduction in principal
- 20% upfront payment = 20% reduction in principal
- 25% upfront payment = 25% reduction in principal

This structure would generate immediate revenue for the City while rewarding operators that can contribute additional capital toward resolving outstanding liabilities.

While tax amnesty is an important step, the Office of Finance correctly notes that amnesty alone will not resolve the broader challenges facing the cannabis industry.

The City's cannabis gross receipts tax remains one of the most significant burdens facing licensed operators. Without meaningful tax reform, many businesses may continue to struggle even after participating in the amnesty program.

We therefore encourage the City to begin evaluating long-term tax relief measures, including reductions to the current cannabis tax structure, to support the viability of the regulated market.

The success of this program should be measured by:

- Number of businesses enrolled.
- Amount of tax debt brought into compliance.
- Amount of immediate revenue generated.
- Reduction in business closures.
- Long-term compliance rates.

A flexible and uniform five-year repayment structure will likely increase participation, improve repayment success, and maximize long-term revenue collection.

Social Equity LA supports the Cannabis Business Tax Amnesty Program and commends the Office of Finance and City Council for developing a pathway to help operators return to compliance.

We respectfully request that the Committee amend the proposal to provide a uniform five-year repayment term for all participating businesses and consider additional incentives that promote participation while maintaining the long-term health of the regulated cannabis industry.

Thank you for your consideration.

Respectfully,



Luis Rivera

Social Equity LA

info@socialequityla.org

Social Equity LA is a 501(c)3 non-profit organization dedicated to social equity and economic development through access, inclusion, and diversity. Social Equity LA is committed to promoting fairness, justice, opportunity, and equity in the design and implementation of economic and workforce development and public policy throughout greater Los Angeles.

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**RE: Support for Council File 26-0791 – Social Equity Individual Applicants /
Transfer and Sale of Ownership Interests**

Dear Chair Padilla and Members of the Government Operations Committee:

On behalf of Social Equity LA, we respectfully submit this letter in support of Council File 26-0791, which would allow Social Equity Individual Applicants (SEIAs) to sell ownership interests to any individual or entity in connection with commercial cannabis activities and amend Section 104.20 of the Los Angeles Municipal Code accordingly.

The Social Equity Program was established to address the disproportionate harms caused by cannabis prohibition and to create meaningful economic opportunities for individuals and communities that were historically impacted by the War on Drugs. At its core, the program was intended to create pathways to ownership, wealth creation, and economic mobility.

Allowing Social Equity participants the ability to transfer or sell ownership interests is consistent with those original goals.

Many Social Equity operators have spent years navigating licensing requirements, securing property, raising capital, complying with regulations, and building businesses under extremely challenging market conditions.

For many participants, their ownership interest in a licensed cannabis business represents their most valuable asset.

True economic empowerment should include the right to realize the value of that asset. Restricting ownership transfers can unintentionally prevent Social Equity participants from fully benefiting from the businesses they have worked to establish.

Entrepreneurs in every other industry are afforded the opportunity to sell, transfer, or monetize their ownership interests. Social Equity participants should not be denied those same opportunities.

One of the most significant barriers facing Social Equity businesses is access to capital.

Cannabis businesses continue to face limited financing options, high operating costs, and ongoing regulatory expenses. Many Social Equity operators lack access to traditional lending sources and often struggle to secure the investment necessary for long-term growth.

Allowing ownership transfers and investments from non-Social Equity individuals and entities can provide struggling businesses with access to much-needed capital, operational expertise, and strategic partnerships.

Greater flexibility can strengthen businesses, preserve jobs, and improve long-term sustainability.

Many Social Equity businesses are currently operating in a difficult economic environment characterized by declining revenues, excessive taxation, inflationary pressures, and continued competition from the illicit market.

Without additional flexibility, some operators may be forced to close their businesses entirely.

Providing a lawful pathway for ownership transfers offers an alternative to closure. It allows operators to pursue mergers, acquisitions, investments, and succession plans that can preserve business operations and protect employees.

A successful transfer that keeps a business operating provides greater community benefit than a failed business that closes its doors.

The Social Equity Program was designed to expand opportunity, not create permanent restrictions.

Participants should have the freedom to determine what is best for themselves, their families, and their businesses.

Whether a Social Equity entrepreneur chooses to maintain ownership, seek investment, sell a portion of their business, or pursue a complete exit should be a personal business decision rather than a regulatory limitation.

Allowing ownership transfers respects the autonomy and rights of Social Equity participants as business owners.

The success of the Social Equity Program should not be measured solely by the number of licenses issued. It should also be measured by whether participants have meaningful opportunities to create wealth, build businesses, attract investment, and achieve economic mobility.

Allowing Social Equity participants to sell ownership interests recognizes the realities of the marketplace while preserving the economic benefits that the program was intended to create.

Social Equity LA supports Council File 26-0791 and urges the Government Operations Committee to recommend approval of the proposed amendments to Section 104.20 of the Los Angeles Municipal Code.

Allowing Social Equity Individual Applicants to transfer and sell ownership interests promotes economic empowerment, increases access to capital, preserves businesses and jobs, and advances the original intent of the City's Social Equity Program.

We appreciate the Committee's consideration and look forward to continuing to work collaboratively with the City to strengthen opportunities for Social Equity entrepreneurs.

Respectfully,



Luis Rivera
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