PROPOSITION CB
(Adopted by the Voters of Los Angeles at the Election held on June 2, 2026)

ORDINANCE NO. 188969

An ordinance amending Sections 21.51 and Section 21.52 of Article 1 of Chapter II of the Los Angeles Municipal Code to apply the City's existing cannabis gross receipts taxes to unlicensed cannabis businesses. (Changes to the language of the Municipal Code are shown in underline type for added language and ~~strikeout~~ type for deleted language.)

WHEREAS, in order to protect the public and consumers of medical and nonmedical cannabis, and reduce the negative secondary impacts on the City's communities, the City enacted a comprehensive cannabis regulatory and enforcement system which was approved by the voters of the City of Los Angeles on March 7, 2017, and embodied in Proposition M;

WHEREAS, Proposition M also enacted a new gross receipts tax regime, of various rates, on licensed cannabis businesses who engage in the commercialization of nonmedical and medical cannabis, including their derivative products and services;

WHEREAS, since the enactment of Proposition M, the taxation of licensed, commercial cannabis businesses has incentivized unlicensed cannabis businesses to operate and generate a significant commercial benefit from the legalization of recreational cannabis without having to collect and remit all of the City businesses taxes as would licensed cannabis businesses; and

WHEREAS, the City wishes to ensure that unlicensed businesses are subject to the same tax as licensed operators and establish business tax parity within the cannabis market.

NOW THEREFORE,

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Subdivision (9) of Subsection (a) of Section 21.51 of Article 1, Chapter II of the Los Angeles Municipal Code regarding the taxation of cannabis businesses is amended to read:

9. "Transporting" shall mean to transfer cannabis and/or cannabis products from the location of one person ~~with a license~~ to the location of another person ~~with a license~~.

Sec. 2. Subsection (b) of Section 21.51 of Article 1, Chapter II of the Los Angeles Municipal Code regarding the taxation of cannabis businesses is amended to read as follows:

(b) For purposes of this Section, the business tax to be imposed shall be as follows:

1. Every person ~~with a license~~ that is engaged in business of conducting the sale of cannabis and/or cannabis products shall pay a business tax of $100.00 for each $1,000.00 of gross receipts or fractional part thereof. The sale of medical cannabis shall be taxed as provided under Section 21.52 of this Article.

2. Every person ~~with a license~~ that is engaged in business of transporting cannabis and/or cannabis products shall pay a business tax of $10.00 for each $1,000.00 of gross receipts or fractional part thereof.

3. Every person ~~with a license~~ that is engaged in business of testing cannabis and/or cannabis products shall pay a business tax of $10.00 for each $1,000.00 of gross receipts or fractional part thereof.

4. Every person ~~with a license~~ that is engaged in business of researching cannabis and/or cannabis products shall pay a business tax of $10.00 for each $1,000.00 of gross receipts or fractional part thereof.

5. Every person ~~with a license~~ that is engaged in business of manufacturing or cultivating cannabis and/or cannabis products shall pay a business tax of $20.00 for each $1,000.00 of gross receipts or fractional part thereof.

6. Every person ~~with a license~~ that is engaged in business relating to the commercialization of cannabis and/or cannabis products not specifically taxed under this Section shall pay a business tax of $20.00 for each $1,000.00 of gross receipts or fractional part thereof.

Sec. 3. Subsection (d) of Section 21.51 of Article 1, Chapter II of the Los Angeles Municipal Code regarding the taxation of cannabis businesses is amended to read as follows:

(d) All business taxes shall be due and payable quarterly as provided under Section 21.04(b) of this Article beginning July 1, 2018, which shall include any taxes owed from January 1, 2018, and then monthly as provided under Section 21.04(c) of this Article beginning July 1, 2019. <u>Such business taxes are payable regardless of whether the person has been issued a license or is operating without a license.</u>

Sec. 4. Subsection (f) of Section 21.51 of Article 1, Chapter II of the Los Angeles Municipal Code regarding the taxation of cannabis businesses is amended to read as follows:

(f) The Director of Finance may prescribe such additional requirements or conditions, as provided under Section 21.15(h) of this Article, when granting a business tax registration certificate under Section 21.08 of this Article with respect to a person subject to this Section, which may or may not include an affidavit of compliance and/or proof of license. Any person who makes a false statement or misrepresentation in any required affidavit under this Section is guilty of a misdemeanor.

Sec. 5. Subsection (b) of Section 21.52 of Article 1, Chapter II of the Los Angeles Municipal Code regarding the taxation of medical cannabis businesses is amended to read as follows:

(b) For purposes of this Section, the business tax to be imposed shall be as follows:

1. Every person ~~with a license~~ that is engaged in business of conducting the sale of medical cannabis shall pay a business tax of $50.00 for each $1,000.00 of gross receipts or fractional part thereof.

Sec. 6. Subsection (d) of Section 21.52 of Article 1, Chapter II of the Los Angeles Municipal Code regarding the taxation of medical cannabis businesses is amended to read as follows:

(d) All business taxes shall be due and payable quarterly as provided under Section 21.04(b) of this Article beginning July 1, 2018, which shall include any taxes owed from January 1, 2018, and then monthly as provided under Section 21.04(c) of this Article beginning July 1, 2019. Such business taxes are payable regardless of whether the person has been issued a license or is operating without a license.

Sec. 7. Subsection (f) of Section 21.52 of Article 1, Chapter II of the Los Angeles Municipal Code regarding the taxation of medical cannabis businesses is amended to read as follows:

(f) The Director of Finance may prescribe such additional requirements or conditions, as provided under Section 21.15(h) of this Article, when granting a business tax registration certificate under Section 21.08 of this Article with respect to a person subject to this Section, which may or may not include an affidavit of compliance and/or proof of license. Any person who makes a false statement or misrepresentation in any required affidavit under this Section is guilty of a misdemeanor.

Sec. 8. Submission to voters. The ordinance herein shall be submitted to the voters of the City. If the ordinance is approved by a majority of the votes cast, the ordinance shall be enacted and the applicable sections set forth herein shall thereafter be considered part of the Los Angeles Municipal Code.

Sec. 9. Amendments. The City Council may amend any provision of this ordinance, but any amendment that would result in a tax being imposed, extended, or increased would require voter approval.

Sec. 10. Severability. If any section, subsection, clause, sentence, phrase, or application of this ordinance or any portion thereof is held unconstitutional or invalid by any court or tribunal of competent jurisdiction, the remaining sections, subsections, clauses, sentences, phrases, portions, or applications of the ordinance shall remain in full force and effect, and to this end the provisions of this ordinance are severable. In addition, the voters declare that they would have passed all sections, subsections, clauses, sentences, phrases, portions and applications of this ordinance without the section, subsection, clause, sentence, phrase, portion or application held unconstitutional or invalid.