



Office of the Los Angeles City Attorney
Hydee Feldstein Soto

REPORT NO. R26-0086
FEB 05 2026

REPORT RE:

**DRAFT BALLOT MEASURE TO APPLY CANNABIS BUSINESS TAXES TO
UNLICENSED CANNABIS BUSINESSES; AND DRAFT BALLOT RESOLUTION AND
ELECTION ORDINANCE PLACING THE BALLOT MEASURE
ON THE JUNE 2, 2026 BALLOT**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Council File No. CF 26-1100-S1

Honorable Members:

On January 27, 2026, the City Council requested this Office to prepare the documents necessary for a ballot measure to apply the City's existing cannabis business taxes to unlicensed cannabis businesses. This Office hereby transmits the draft ballot resolution and election ordinance necessary to place the measure on the ballot at the City's Primary Nominating Election to be held on June 2, 2026. We have approved the draft ballot resolution and election ordinance as to form and legality.

Summary of the Measure's Provisions

The ballot measure would subject unlicensed cannabis businesses to the same gross receipts taxes the City currently imposes on licensed cannabis businesses. The current cannabis tax rates are 10 percent of gross receipts on cannabis sales, 5 percent on medical cannabis sales, 2 percent on manufacturing, cultivation or other commercialization, and 1 percent on transportation, testing or research. The measure,

if adopted, would apply these same rates to unlicensed cannabis businesses. The measure thus would establish gross receipt tax parity within the cannabis marketplace.

The Department of Finance has estimated that the amount of tax revenue anticipated to be collected as a result of the measure is approximately \$30-35 million per fiscal year. The tax revenue collected will be deposited into the City's general fund, similar to all other tax revenue collected from the City's gross receipts tax regime.

Voter Approval and Election Requirements

The ballot measure proposes a general tax and therefore must be approved by a majority of the voters of the City of Los Angeles to be adopted. (Cal. Const., Art. XIII C, Section 2(b).)

City Election Code Section 601 requires that a final resolution to place a measure on the ballot must be adopted no less than 110 days before the election. For the June 2, 2026 Election, the deadline for the City Council to adopt the resolution containing the final language of the ballot measure is February 11, 2026.

CEQA

Pursuant to California Environmental Quality Act (CEQA) Guidelines, Section 15378(b)(3), the adoption of the ballot resolution and election ordinance for this measure does not constitute a "project" for purposes of complying with CEQA, and therefore, no further CEQA analysis or findings are necessary to approve the ballot resolution and election ordinance. If this measure is adopted, staff should also be directed to file a notice of exemption with the County Clerk pursuant to Public Resources Code Section 21152(b).

Rule 38 Referral

A copy of the draft ballot measure has been presented to the Office of the City Administrative Officer, the Chief Legislative Assistant, the Office of Finance, and the Department of Cannabis Regulation pursuant to Council Rule 38, with a request that all comments, if any, be presented directly to the City Council when it considers this matter.

If you have any questions regarding this matter, please contact Assistant City Attorney Charles Hong at (213) 978-7700 or Assistant City Attorney Harit Trivedi at (213) 978-7100. A member of this Office will be available when you consider this matter and answer questions you may have.

Sincerely,

HYDEE FELDSTEIN SOTO, City Attorney

By



MICHAEL J. DUNDAS
Chief Assistant City Attorney

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Transmittal