



Office of the Los Angeles City Attorney
Hydee Feldstein Soto

REPORT NO. R26-0188
APR 09 2026

REPORT RE:

**DRAFT ORDINANCE AND BALLOT RESOLUTION RELATED TO A CERTIFIED
INITIATIVE PETITION SEEKING TO REPEAL THE CITY OF LOS ANGELES GROSS
RECEIPTS TAX ON ALL BUSINESSES EXCEPT CANNABIS BUSINESSES**

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. 26-1100-S7

Honorable Members:

The City Clerk has presented the City Council with a certified initiative petition in support of a proposed ordinance seeking to repeal the City of Los Angeles Gross Receipts Tax (Gross Receipts Tax) on all non-cannabis businesses beginning January 1, 2028. The City Charter requires the City Council to take certain action upon presentation of a certified initiative petition. This report summarizes the background of the initiative petition, the provisions of the proposed ordinance, and the City Council's options under the Charter. Accompanying this report are a draft election ordinance and ballot resolution to facilitate City Council action on this initiative petition.

Background

On February 18, 2026, a group of proponents submitted an initiative petition to the City Clerk containing voter signatures in support of a proposed ordinance seeking to repeal the Gross Receipts Tax on all businesses operating in the City other than

cannabis businesses. The City Clerk subsequently coordinated with the County Registrar to review the signatures on the initiative petition. The County Registrar has completed that examination and determined that the petition contains a sufficient number of valid voter signatures to qualify for presentation to the City Council. The City Clerk transmitted the Certification of Sufficiency to the City Council on March 26, 2026.

Summary of the Proposed Ordinance

The Gross Receipts Tax is presently codified under Article 1, Chapter II of the Los Angeles Municipal Code (Article 1). Article 1 currently subjects taxable non-cannabis businesses to a gross receipts tax at rates ranging from between 0.1 percent to 0.425 percent. The tax rate varies based on the type of business and applies to a wide variety of businesses operating in the City, including restaurants, retail stores, and law firms. Article 1 applies higher tax rates to taxable cannabis businesses, ranging up to 10 percent on cannabis sales.¹

The ordinance proposed by the initiative petition would repeal the City's Gross Receipts Tax on all taxable non-cannabis businesses beginning January 1, 2028. Cannabis businesses would continue to be subject to the Gross Receipts Tax as currently imposed and potentially later amended.

Specifically, the proposed initiative would amend the Article 1 by:

1. Repealing the Gross Receipts Tax for all non-cannabis businesses beginning January 1, 2028;
2. Repealing all non-cannabis business tax classifications from the Gross Receipts Tax beginning January 1, 2028;
3. Continuing the Office of Finance's ability to enforce the Gross Receipts Tax regime on all non-cannabis businesses until January 1, 2028; and
4. Continuing the application of the Gross Receipts Tax and registration requirements to cannabis businesses.

¹ Article 1 also sets forth certain administrative and enforcement provisions, including the method and process of taxation and payment, and processes and procedures concerning registration, enforcement, tax assessments, tax delinquencies, and appeals (collectively Administrative Provisions). Except with respect to certain embedded processes within a business classification (for example, a trucking business that is not otherwise taxed elsewhere that has an available alternative method of reporting its gross receipts tax), these Administrative Provisions are separately cross-referenced and relied upon by other non-gross receipts taxes imposed by the City, such as the Transient Occupancy Tax, and the Telephone, Electricity, and Gas Users Tax. The Administrative Provisions will continue in place and will be applicable to taxable cannabis businesses and for the City's other taxes, as applicable.

The Office of Finance estimates that the repeal of the Gross Receipts Tax proposed by the initiative would reduce the City's tax revenues by approximately \$840 million per year.

City Council Options

Charter Section 452 requires the City Council to take one of the following actions when presented with a certified initiative petition:

- (1) Adopt the proposed initiative ordinance;
- (2) Determine to submit the proposed initiative ordinance to the voters at either a special election or the next regularly scheduled election occurring more than 110 days from City Council action on the initiative petition (*i.e.*, the City's General Municipal Election held on November 3, 2026); or
- (3) Refer the proposed initiative ordinance to a department or office for a report on its fiscal and other impacts on the City, provided, however, that the City Council must take one of the actions described above within 30 days of referring the ordinance for a report.

City Council must take one of these actions within 20 days of the presentation of the certified initiative petition. (Charter Section 452(b).) For this initiative petition, that deadline for Council Action is April 15, 2026.

The Charter also provides a mechanism for the proponents to withdraw their initiative at any time up to 88 days before election day. (See Charter Section 451(a); City Election Code Section 711(d).) For the November election, the deadline to withdraw an initiative is August 7, 2026.

This office has attached a draft election ordinance and draft ballot resolution for the City Council to adopt to submit the proposed initiative ordinance to the voters at the upcoming November election. If the City Council instead wishes to adopt the initiative ordinance directly, or call an earlier special election on the initiative, we will transmit the documents necessary to do so upon request. City Council may act by motion should it wish to refer the initiative ordinance to a department or office for a report.

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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Attachments