



Osiris Ventures, Inc.
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November 3, 2020

City and County of San Francisco, Budget and Finance Committee
submitted via email: linda.wong@sfgov.org

RE: Support- File# 201009 (Mandelman) Temporary Suspension of Cannabis Business Tax

Supervisors Fewer, Walton and Mandelman,

On behalf of NorCal Cannabis, we strongly support Supervisor Mandelman's proposal to temporarily suspend the cannabis business tax, and tax reduction (File #201009).

We have operated in the legal San Francisco cannabis space since 2015 and appreciate this opportunity to provide our insights in an effort to ensure positive progress for the industry, our communities and the city at large.

COVID-19 has been tremendously challenging in our cultivation and distribution environment. We have worked diligently to create new safety protocols and have paid financial support to staff to weather this pandemic. This has come at a high cost. We currently contribute the same taxes to San Francisco as all other businesses. We are not in an economic position to take on additional taxes that other businesses are not subject to in the midst of the pandemic. Based on the already high costs of operation in the City, any increase in taxes could cause us to close or force us to relocate out of the City.

By delaying the implementation of the cannabis business tax, the City can avoid the loss of PDR jobs in the already tough COVID-19 induced economy.

For additional context on the complicated tax environment in cannabis, legal CA cannabis businesses are subject to cannabis specific cultivation and excise taxes at the state level. The current taxation structure for legal cannabis at the state level has created an unstable economic environment for the legal market; taxes are too complicated and too high- while the unregulated, illicit market has thrived in a zero tax environment. There is a general consensus that over inflated cannabis taxes are threatening the ability of the legal market to mature and compete with illicit operators. Unfortunately, the efforts underway for state level tax reform were sidelined earlier this year by COVID-19 and no progress has been made to date.

We strongly support the delay in implementation of the San Francisco cannabis business tax and encourage your support of these efforts.

Sincerely,

A handwritten signature in blue ink that reads "AR Grabstein".

AnnaRae Grabstein, Chief Compliance Officer
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