

BOARD of SUPERVISORS



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MEMORANDUM

TO: Marisa Rodriguez, Director, Office of Cannabis
Jose Cisneros, Treasurer, Office of the Treasurer and Tax Collector
Ben Rosenfield, City Controller, Office of the Controller

FROM: Linda Wong, Assistant Clerk
Budget and Finance Committee

DATE: September 16, 2020

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Budget and Finance Committee has received the following proposed legislation, introduced by Supervisor Mandelman on September 1, 2020:

File No. 201009

Ordinance amending the Business and Tax Regulations Code to suspend the imposition of the Cannabis Business Tax through December 31, 2021; beginning January 1, 2022, to increase the exemption of gross receipts attributable to the City from cannabis business activities, from the first \$500,000 to the first \$1,000,000; and also beginning January 1, 2022, to increase the upper range of gross receipts attributable to the City from cannabis business activities subject to the 2.5% tax rate on gross receipts from retail sales and the 1% tax rate on gross receipts from other than retail sales, from \$1,000,000 to \$1,500,000.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: linda.wong@sfgov.org.

c: Ray Law, Office of Cannabis
Amanda Kahn Fried, Office of the Treasurer and Tax Collector
Todd Rydstrom, Office of the Controller
Peg Stevenson, Office of the Controller

1 [Business and Tax Regulations Code - Temporary Suspension of Cannabis Business Tax,
and Tax Reduction]

2

3 **Ordinance amending the Business and Tax Regulations Code to suspend the**
4 **imposition of the Cannabis Business Tax through December 31, 2021; beginning**
5 **January 1, 2022, to increase the exemption of gross receipts attributable to the City**
6 **from cannabis business activities, from the first \$500,000 to the first \$1,000,000; and**
7 **also beginning January 1, 2022, to increase the upper range of gross receipts**
8 **attributable to the City from cannabis business activities subject to the 2.5% tax rate on**
9 **gross receipts from retail sales and the 1% tax rate on gross receipts from other than**
10 **retail sales, from \$1,000,000 to \$1,500,000.**

11

12 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
13 **Additions to Codes** are in *single-underline italics Times New Roman font*.
14 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
15 **Board amendment additions** are in double-underlined Arial font.
16 **Board amendment deletions** are in ~~strikethrough Arial font~~.
17 **Asterisks (* * * *)** indicate the omission of unchanged Code
18 subsections or parts of tables.

16

17 Be it ordained by the People of the City and County of San Francisco:

18

19 Section 1. The Business and Tax Regulations Code is hereby amended by revising
20 Section 3003 of Article 30, to read as follows:

21

22 **SEC. 3003. IMPOSITION OF TAX.**

23

24 (a) Except as otherwise provided in this Article 30, for the privilege of engaging in
25 Cannabis Business Activities in the City, the City imposes an annual Cannabis Business Tax

1 on each person engaged in business in the City that receives gross receipts from Cannabis
2 Business Activities attributable to the City.

3 (b) The Cannabis Business Tax shall be calculated in the following manner:

4 (1) The person or combined group's first ~~\$1,000,000~~\$500,000 of gross receipts
5 attributable to the City from Cannabis Business Activities shall be exempt from the Cannabis
6 Business Tax.

7 (2) The person or combined group's gross receipts attributable to the City from
8 the Retail Sale of Cannabis or Cannabis Products, including the amount exempt under
9 Section 3003(b)(1), shall be multiplied as follows:

10 (A) by 2.5% for gross receipts in excess of the amount exempt under
11 Section 3003(b)(1) and up to and including ~~\$1,500,000~~\$1,000,000; and

12 (B) by 5% for gross receipts over ~~\$1,500,000~~\$1,000,000.

13 (3) The person or combined group's gross receipts attributable to the City from
14 all Cannabis Business Activities other than the Retail Sale of Cannabis or Cannabis Products,
15 including the amount exempt under Section 3003(b)(1), shall be multiplied as follows:

16 (A) by 1% for gross receipts in excess of the amount exempt under
17 Section 3003(b)(1) and up to and including ~~\$1,500,000~~\$1,000,000; and

18 (B) by 1.5% for gross receipts over ~~\$1,500,000~~\$1,000,000.

19 (4) The Board of Supervisors may from time to time by an ordinance adopted by
20 at least two-thirds of the members of the Board increase one or more of the rates provided for
21 in Sections 3003(b)(2) and 3003(b)(3), except that no rate may increase more than 1%
22 annually and no rate may exceed 7%. The Board of Supervisors may from time to time by an
23 ordinance adopted by a majority of the members of the Board decrease one or more of the
24 rates provided for in Sections 3003(b)(2) and 3003(b)(3). Any such adjustments in this
25 Section 3003(b)(4) shall be effective no sooner than the tax year following the tax year in

1 which the ordinance adjusting the rate is effective. The Controller shall prepare and submit a
2 market analysis and impact report to the Board before the Board adjusts any tax rate under
3 this Section 3003(b)(4).

4 (5) If a person or combined group has gross receipts attributable to the City
5 from the Retail Sale of Cannabis or Cannabis Products and from Cannabis Business Activities
6 other than the Retail Sale of Cannabis or Cannabis Products, the person or combined group's
7 Cannabis Business Tax shall be determined as follows:

8 (A) The person or combined group's taxable gross receipts shall be
9 determined on an aggregate basis first for gross receipts attributable to the City from
10 Cannabis Business Activities other than the Retail Sale of Cannabis or Cannabis Products,
11 and then for gross receipts attributable to the City from the Retail Sale of Cannabis or
12 Cannabis Products;

13 (B) The ~~\$1,000,000~~\$500,000 exemption in Section 3003(b)(1) shall be
14 applied first to gross receipts attributable to the City from Cannabis Business Activities other
15 than the Retail Sale of Cannabis or Cannabis Products, with any remaining portion of the
16 exemption then applied to gross receipts attributable to the City from the Retail Sale of
17 Cannabis or Cannabis Products;

18 (C) The rates applicable under Section 3003(b)(2) shall be determined
19 by applying the rate scale commencing with the gross receipts attributable to the City from
20 Cannabis Business Activities other than the Retail Sale of Cannabis or Cannabis Products;
21 and

22 (D) The Cannabis Business Tax for the person or combined group shall
23 be the sum of the liabilities calculated under Sections 3003(b)(2) and 3002(b)(3), determined
24 in accordance with Sections 3003(b)(5)(A), 3003(b)(5)(B), and 3003(b)(5)(C).

