

LEGISLATIVE DIGEST

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

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.

Existing Law

At an election on November 6, 2018, San Francisco voters approved the Cannabis Business Tax. Effective January 1, 2021, the tax is imposed on persons for the privilege of engaging in cannabis business activities in the City. The tax is a general tax the revenues from which go to the General Fund and may be used for any lawful City purpose. The tax rate is:

- For gross receipts attributable to the City from the retail sale of cannabis or cannabis products:
 - 2.5% of gross receipts up to and including \$1,000,000, and
 - 5% of gross receipts over \$1,000,000; and
- For gross receipts attributable to the City from cannabis business activities other than the retail sale of cannabis or cannabis products:
 - 1% of gross receipts up to and including \$1,000,000, and
 - 1.5% of gross receipts over \$1,000,000.

The first \$500,000 of gross receipts attributable to the City from cannabis business activities are exempt from the tax.

Amendments to Current Law

This ordinance would temporarily suspend the imposition of the Cannabis Business Tax through December 31, 2021. This ordinance would increase the upper range of gross receipts attributable to the City that are subject to the 2.5% and 1% rate for retail sales and other than retail sales, respectively, from \$1,000,000 to \$1,500,000. This ordinance also would 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.

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