

File No. 221070

Committee Item No. 1

Board Item No. 8

# COMMITTEE/BOARD OF SUPERVISORS

## AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date November 9, 2022

Board of Supervisors Meeting

Date November 29, 2022

### Cmte Board

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- Referral FYI 9/30/2022–
- SBC Referral 10/21/2022
- Presidential Action Memo – 30-Day Rule Waiver 10/26/2022
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Completed by: Brent Jalipa

Date November 3, 2022

Completed by: Brent Jalipa

Date November 9, 2022

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

2

3 **Ordinance amending the Business and Tax Regulations Code to suspend the**  
4 **imposition of the Cannabis Business Tax through December 31, 2025.**

5

6 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
7 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
8 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
9 **Board amendment additions** are in double-underlined Arial font.  
10 **Board amendment deletions** are in ~~strikethrough Arial font~~.  
11 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
12 subsections or parts of tables.

10

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

12

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

15

16 **SEC. 3003. IMPOSITION OF TAX.**

17

\* \* \* \*

18 (c) The imposition of the Cannabis Business Tax under this Section 3003 shall be  
19 suspended for the 2021, ~~and 2022~~, 2023, 2024, and 2025 tax years.

20

21 Section 2. Effective Date; Retroactivity.

22 (a) This ordinance shall become effective 30 days after enactment. Enactment occurs  
23 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not  
24 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the  
25 Mayor’s veto of the ordinance.

1 (b) If the effective date of this ordinance is after January 1, 2023, this ordinance shall  
2 upon its effective date be retroactive to January 1, 2023.

3  
4 Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
5 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
6 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
7 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
8 additions, and Board amendment deletions in accordance with the "Note" that appears under  
9 the official title of the ordinance.

10  
11 APPROVED AS TO FORM:  
12 DAVID CHIU, City Attorney

13 By: /s/ Scott M. Reiber  
14 SCOTT M. REIBER  
Chief Tax Attorney

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<p><b>Item 1</b> <b>File 22-1070</b></p>	<p><b>Department:</b> Treasurer-Tax Collector</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed ordinance amends Section 3003 of the Business and Tax Regulations Code to further suspend the imposition of the Cannabis tax until January 2026. The first fiscal year Cannabis Business Tax would be recognized would be FY 2026-27.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• In November 2018, approximately 66 percent of San Francisco voters approved Proposition D, the Cannabis Business Tax effective January 1, 2021. The proposition levies a gross receipts tax of 1 percent to 5 percent on recreational cannabis businesses. Since then, the Board of Supervisors has delayed imposition of the tax through December 2022 (Files 20-1009 &amp; 21-1150). Because the tax year is a calendar year, the first fiscal year that the tax revenues are scheduled to be recognized is FY 2023-24.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• According to the Controller’s Office, Cannabis tax revenue is budgeted at \$0 in FY 2022-23 and \$10.25 million in FY 2023-24 and is projected at that level in FY 2024-25 and FY 2025-26. Therefore, the total foregone revenue through FY 2025-26 would be \$30.75 million.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approval of the proposed ordinance is a policy matter for the Board of Supervisors because it would reduce General Fund revenues.</li> </ul>	

**MANDATE STATEMENT**

According to City Charter Section 2.105, all legislative acts shall be by ordinance and require the affirmative vote of at least a majority of the members of the Board of Supervisors.

**BACKGROUND**

In November 2018, approximately 66 percent of San Francisco voters approved Proposition D, the Cannabis Business Tax effective January 1, 2021. The proposition levies a gross receipts tax of 1 percent to 5 percent on recreational cannabis businesses. Since then, the Board of Supervisors has delayed imposition of the tax through December 2022 (Files 20-1009 & 21-1150). Because the tax year is a calendar year, the first fiscal year that the tax revenues are scheduled to be recognized is FY 2023-24.

**DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance amends Section 3003 of the Business and Tax Regulations Code to suspend the imposition of the Cannabis Business Tax through the 2025 tax year. The first fiscal year Cannabis Business Tax would be recognized would be FY 2026-27.

**FISCAL IMPACT**

According to the Controller's FY 2022-23 & FY 2023-24 Revenue Letter, Cannabis Business Tax revenue is budgeted at \$0 in FY 2022-23 and \$10.25 million in FY 2023-24. According to the March 2022 Joint Report Update, Cannabis tax revenues are projected to be \$10.25 million per year in FY 2024-25 and FY 2025-26. Therefore, the total foregone revenues through FY 2025-26 are projected to be \$30.75 million.

We consider approval of the proposed ordinance to be a policy matter for the Board of Supervisors because it would reduce General Fund revenues.

**RECOMMENDATION**

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

BOARD of SUPERVISORS



City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. (415) 554-5184  
Fax No. (415) 554-5163  
TDD/TTY No. (415) 554-5227

## MEMORANDUM

TO: Jose Cisneros, Treasurer, Office of the Treasurer and Tax Collector

FROM: Brent Jalipa, Assistant Clerk, Budget and Finance Committee

DATE: October 24, 2022

SUBJECT: PROPOSED ORDINANCE INTRODUCED

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The Board of Supervisors' Budget and Finance Committee has received the following proposed Ordinance, introduced by Supervisor Rafael Mandelman on October 18, 2022:

**File No. 221070**

**Ordinance amending the Business and Tax Regulations Code to suspend the imposition of the Cannabis Business Tax through December 31, 2025.**

If you have any 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.

c: Amanda Kahn Fried, Office of the Treasurer and Tax Collector

BOARD of SUPERVISORS



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Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
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## MEMORANDUM

TO: Katy Tang, Director, Office of Small Business  
**Small Business Commission, City Hall, Room 448**

FROM: Brent Jalipa, Assistant Clerk  
Budget and Finance Committee

DATE: September 19, 2022

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS  
Budget and Finance Committee

The Board of Supervisors' Budget and Finance Committee has received the following legislation, introduced by Supervisor Hillary Ronen on September 13, 2022 which is being referred to the Small Business Commission for comment and recommendation.

**File No. 220970**

**Ordinance amending the program established in Ordinance No. 143-21 waiving certain first-year permit, license, and business registration fees for certain businesses, retroactive to November 1, 2021, to 1) extend the program through June 30, 2023; 2) increase the gross receipts permissible for a business to qualify for the tax and fee waiver from \$2,000,000 to \$5,000,000; 3) remove the requirement that the business be located on the ground floor; 4) extend the period for refunds to the later of one year from the date of payment or June 30, 2023; 5) revise the procedures for challenging Tax Collector determinations that a business improperly claimed a waiver under this Ordinance; 6) increase the gross receipts above which the waiver would be retroactively revoked from \$10,000,000 to \$15,000,000 in the calendar year of, or in any calendar year during the three full calendar years following, the date the business commenced business within San Francisco or opened a new business location for commercial use; and 7) make other administrative and reporting changes, as defined herein.**

Please return this cover sheet with the Commission's response to Brent Jalipa, Budget and Finance Clerk, by email to: [brent.jalipa@sfgov.org](mailto:brent.jalipa@sfgov.org).

\*\*\*\*\*

**RESPONSE FROM SMALL BUSINESS COMMISSION - Date:** \_\_\_\_\_

\_\_\_\_ **No Comment**

\_\_\_\_ **Recommendation Attached**

\_\_\_\_\_  
**Chairperson, Small Business Commission**



President, District 10  
BOARD of SUPERVISORS



City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102-4689  
Tel. No. 554-6516  
Fax No. 554-7674  
TDD/TTY No. 544-6546

Shamann Walton

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**PRESIDENTIAL ACTION**

Date: 10/26/2022

To: Angela Calvillo, Clerk of the Board of Supervisors

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Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. 221070 Mandelman  
(Primary Sponsor)

Title. Business and Tax Regulations Code - Temporary Suspension of Cannabis Business Tax

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Transferring (Board Rule No 3.3)

File No. \_\_\_\_\_  
(Primary Sponsor)

Title. \_\_\_\_\_

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From: \_\_\_\_\_ Committee

To: \_\_\_\_\_ Committee

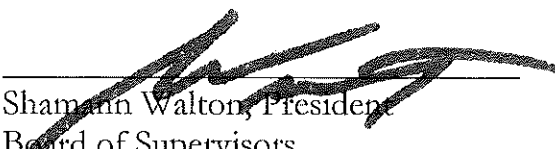
Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor: \_\_\_\_\_ Replacing Supervisor: \_\_\_\_\_

For: \_\_\_\_\_ Meeting  
(Date) (Committee)

Start Time: \_\_\_\_\_ End Time: \_\_\_\_\_

Temporary Assignment:  Partial  Full Meeting

  
Shamann Walton, President  
Board of Supervisors

**From:** [Board of Supervisors \(BOS\)](#)  
**To:** [BOS-Supervisors](#); [BOS-Legislative Aides](#)  
**Cc:** [Calvillo, Angela \(BOS\)](#); [Mchugh, Eileen \(BOS\)](#); [Somera, Alisa \(BOS\)](#); [Ng, Wilson \(BOS\)](#); [De Asis, Edward \(BOS\)](#); [Jalipa, Brent \(BOS\)](#); [BOS Legislation, \(BOS\)](#)  
**Subject:** FW: Support for suspending the gross receipts tax increase on cannabis retailers  
**Date:** Monday, November 21, 2022 3:27:54 PM

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Hello,

Please see below for communication from The Green Cross regarding File No. 221070.

**File No. 221070** - Business and Tax Regulations Code - Temporary Suspension of Cannabis Business Tax

Sincerely,

**Joe Adkins**  
**Office of the Clerk of the Board**  
**San Francisco Board of Supervisors**  
**1 Dr. Carlton B. Goodlett Place, Room 244**  
**San Francisco, CA 94102**  
**Phone: (415) 554-5184 | Fax: (415) 554-5163**  
[board.of.supervisors@sfgov.org](mailto:board.of.supervisors@sfgov.org) | [www.sfbos.org](http://www.sfbos.org)

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**From:** Kevin Reed <kevinreed@thegreencross.org>  
**Sent:** Monday, November 14, 2022 11:03 AM  
**To:** Board of Supervisors (BOS) <board.of.supervisors@sfgov.org>  
**Subject:** Support for suspending the gross receipts tax increase on cannabis retailers

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Board of Supervisors:

As Founder and President of The Green Cross, I am writing today on behalf of our organization to implore San Francisco to take immediate action to support the cannabis industry and its operators by approving Supervisor Mandelman's ordinance amending the Business and Tax Regulations Code to suspend the imposition of the Cannabis Business Tax through December 31, 2025.

By suspending the gross receipts tax increase on cannabis retail entities through 2025, this will allow cannabis retailers to stay afloat during these challenging times. As things stand right now, cannabis retailers in San Francisco pay their fair share of gross receipt taxes at a rate of 0.1%, which is the same rate as non-cannabis retailers. If this legislation is not passed, in 2023 the gross receipts tax rate for cannabis retailers will increase to 5.0%. No other retailers or types of business in San Francisco pay this high of a tax rate on gross receipts, especially during a time of economic turmoil when many businesses are still recovering from the pandemic, supply chain issues, inflation,

decreases in local tourism, fluctuations in BART ridership, costly COVID-19 safety measures, and vast declines in overall sales. We are also unable to take advantage of tax relief offered to other businesses as a federally illegal business. We are struggling right now and need your support more than ever.

The estimated revenue from this tax increase is \$10 million per year. Given that the San Francisco Controller has estimated that only 33% of cannabis retailers are a part of the legal regulated market, it is highly unlikely that cannabis retailers will generate the kind of revenue needed for this tax increase. This revenue is new and will not create a deficit for the City's Treasury if the tax increase is suspended.

As a nonprofit public benefit corporation in operation since 2004, The Green Cross is an integral part of the San Francisco community. We are one of the first licensed dispensaries in San Francisco and have worked hard to build strong relationships and gain trust with local public officials, constituents, residents, and our members.

Our top priority is to provide members with high-quality cannabis at affordable prices, which has become increasingly challenging with ongoing inflation and supply chain issues. It's also important to The Green Cross to offer our members a comfortable and accessible place to purchase cannabis and cannabis-infused products from professional and courteous staff.

The Green Cross has become known as an exemplar in community and outreach services by offering member consulting and compassionate care services that go above and beyond traditional dispensary services, showing the importance of cannabis not only to our members, but to the community and the local government as well. We strive to continue to offer these vital services moving forward.

A primary goal of The Green Cross is to promote social equity, including improving the social and economic conditions of our neighborhood, while providing living wages to residents of the surrounding area. At our storefront in the Excelsior District, we take pride in providing employment opportunities to talented individuals from diverse backgrounds, including many neighborhood residents. The Green Cross participates in the SF Cannabis Equity Program, which seeks to support people harmed by the War on Drugs, including business owners, job candidates and other nonprofit organizations.

The Green Cross strives to be a valuable asset to the surrounding neighborhood and maintain a welcoming and safe environment for neighbors, local businesses, and members alike. It was a lengthy process to open our current storefront, and we take great pride in serving San Francisco for the past 18 years and hope to continue doing so for many years to come.

Many cannabis businesses in California are floundering right now. With heavy taxes and onerous regulations and licensing fees, it is becoming impossible for cannabis businesses to be profitable in the current economy. The increased cost of doing business and higher pricing is forcing more and more cannabis producers and consumers to seek the illicit market.

Over the past year, The Green Cross has taken drastic measures to stabilize our financial circumstances. We have greatly cut down on company spending, reduced our workforce significantly, decreased our hours of operation due to lower sales, raised prices on all products, and made many other necessary changes to minimize our financial burden. The Green Cross, along with other businesses, is at risk of closing for good. We are now in the position where we must ask for help and implore the Board of Supervisors to take necessary action to support our business and industry by approving this amendment.

Thank you for your time and consideration. If you have any questions, concerns, or require further information, please don't hesitate to contact me directly at [KevinReed@TheGreenCross.org](mailto:KevinReed@TheGreenCross.org) or (415) 846-7671.

Sincerely,

--

**Kevin Reed**

Founder & President  
The Green Cross  
4218 Mission Street  
San Francisco, CA 94112

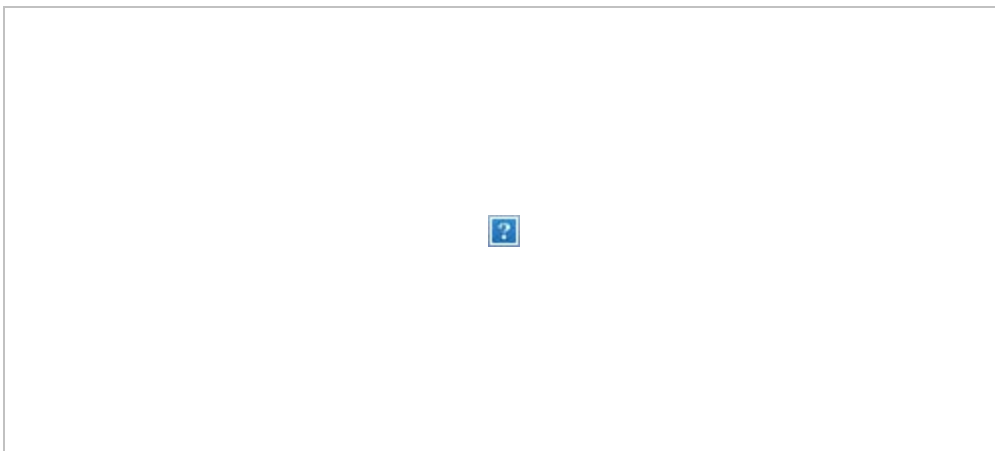
Mobile: 415.846.7671

Office: 415.648.4420

Fax: 415.431.2420

Email: [KevinReed@TheGreenCross.org](mailto:KevinReed@TheGreenCross.org)

Web: [TheGreenCross.org](http://TheGreenCross.org)



**From:** [Bram Goodwin](#)  
**To:** [Preston Dean \(BOS\)](#); [MandelmanStaff \(BOS\)](#); [DorseyStaff \(BOS\)](#); [ChanStaff \(BOS\)](#); [Mar Gordon \(BOS\)](#); [MelgarStaff \(BOS\)](#); [Peskin, Aaron \(BOS\)](#); [RonenStaff \(BOS\)](#); [Safai, Ahsha \(BOS\)](#); [Stefani, Catherine \(BOS\)](#); [Walton, Shamann \(BOS\)](#)  
**Cc:** [Kilgore, Preston \(BOS\)](#); [Prager, Jackie \(BOS\)](#); [Green, Ross \(BOS\)](#); [David Goldman](#); [Johnny Delaplane](#); [BOS Legislation \(BOS\)](#)  
**Subject:** I urge you to support Supervisor Mandelman's legislation #221070 by voting YES on Tuesday November 15  
**Date:** Friday, November 11, 2022 8:01:50 AM

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This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Supervisors,

Supervisor Mandelman has introduced a bill, #221070, on Tuesday's Board of Supervisor's agenda, holding the SF Gross Receipts Tax for Cannabis Retailers at 0.1% until December 31, 2025. This legislation was recommended to the BOS for passage by the Budget Committee.

I urge you to support Supervisor Mandelman's legislation by voting YES on Tuesday November 15, agenda item #5.

The cannabis retail entities in San Francisco are currently paying their fair share of gross receipts taxes at a rate of 0.1%, the same rate as non-cannabis retail entities. If this legislation is not passed, then cannabis retail entities in 2023 will have their gross receipts tax rate increased 50 times to 5.0%. No other retail entity or other type of business in San Francisco pays anywhere near this tax rate on gross receipts.

As has been discussed recently, the Legal SF Cannabis business has just emerged in 2018 from 100 years of illegality, and is competing against illegal cannabis operators, who have twice as much of the local cannabis market, but do not pay any licence, retail taxes. Thus their prices for comparable cannabis products is about 1/3 of the retail prices charged by our legal SF retail cannabis Dispensaries.

We need to make our legal cannabis retailers competitive, give them the ability to capture a larger share of the total cannabis market.

By you taking this action of voting YES on item #5, you are helping them compete, build their business, add local jobs, eventually increasing the tax revenue coming to the city.

We, in the Cannabis industry, appreciate the generally fair approach demonstrated by our SF elected officials, cannabis regulators.

It is only fair that Cannabis consumers pay a similar tax to other retail customers.

Please vote YES on ordinance #221070 at your Board of Supervisors's meeting on Tuesday, November 15.

Thank you.

bram

Bram Goodwin  
photographer  
Founder, San Francisco Social Club  
415.505.3686  
twitter: bramgoodwin

linkedin: bramfoto

**From:** [Nancy Do](#)  
**To:** [Jalipa, Brent \(BOS\)](#)  
**Subject:** Endo Industries Supports The Extension of SF Cannabis Gross Receipts Tax Deferral  
**Date:** Wednesday, November 9, 2022 11:27:13 AM

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This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Hi Brent,

I hope this finds you well.

My name is Nancy Do and I'd like kindly request passing this SF Cannabis Gross Receipts Tax Deferral legislation, file no. 221070, immediately through Budget and Finance Committee to the full board of Supervisors without any changes or amendments. We don't have time for any language changes if we are going to get this passed by December 31st.

I have been a legacy and equity cannabis operator in San Francisco since 2009. The entire industry is struggling right now and we really need support of city to recalibrate.

Another issue is the length of time to get licensing in San Francisco is much too long. It makes it impossible for small businesses, and particularly social equity operators, to find stability.. let alone success.

Getting this Gross Receipts Tax Referral is one step closer to helping us sustain ourselves while the industry crashes around us. Our industry is facing the gravest cannabis recession we have known to date. We need tax relief now more than ever! I urge you to make the right decisions.

Sincerest thank yous for your consideration.

**From:** [Jake Wall](#)  
**To:** [Jalipa Brent \(BOS\)](#)  
**Subject:** Regarding the Budget and Finance Committee on Today ( November 9 ) | SF Cannabis Gross Receipts Tax Deferral  
**Date:** Wednesday, November 9, 2022 10:22:40 AM  
**Attachments:** [image001.png](#)

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This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Good Morning Brent.

I am reaching out to you in advance of today's Budget and Finance Committee meeting which I am also planning on attending to further show my support.

For context, I am both a resident of San Francisco – living in San Francisco's SOMA district 9 – as well as being engaged in doing business in San Francisco with my company also located in District 9. I want to formally, in writing, voice my support for the proposed SF Cannabis Gross Receipts Tax Deferral.

It is important that the Budget and Finance Committee pass this SF Cannabis Gross Receipts Tax Deferral legislation, file no. 221070, immediately moving this to the full board of Supervisors without any changes or amendments.

Cannabis has proven itself to be a viable and valuable collection of business operators within San Francisco including providing products deemed “essential services” during the COVID-19 pandemic. We are also an industry in crisis, and we need the support of City decision makers to ensure we can survive the gravest recession legal cannabis has known to date. Given the very real impact being felt daily by industry players doing business within San Francisco, we don't have time for any language changes if we are going to get this passed by Dec. 31 in hopes of ensuring greater success for this industry and for the city in 2023.

As a resident, I require easy and convenient access to cannabis for my own medical needs. Further, I know the value of these operators in also staving off urban blight as so many retail street level and business zoned spaces across the city are still vacant even well after we have emerged from the COVID-19 pandemic lockdown. As an industry that lacks the support of greater federal governmental aide opportunities, cannabis is fully reliant on forward-thinking, regional thought leaders and doers like yourselves to help engineer key decisions that further opportunity and support this important legal industry and furthering San Francisco's place as a leader in intelligent economic opportunity governance for emerging industries.

Thank you in advance for your careful consideration and I truly hope we can count on the committee's forward thinking and support.

All my best.

Jake Wall  
Resident, Business Owner, Active Community Member

jake wall // chief innovation officer

[jake@avecbloom.com](mailto:jake@avecbloom.com) // [jake@platypuscooperative.com](mailto:jake@platypuscooperative.com)



m // 310 733 6172



**"I came to slay, bitch."** – *BEYONCE*

# Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp  
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor  inquiries"
- 5. City Attorney Request.
- 6. Call File No.  from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

**Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.**

Sponsor(s):

Subject:

The text is listed:

Signature of Sponsoring Supervisor:

For Clerk's Use Only