

File No. 180629

Committee Item No. 15

Board Item No. \_\_\_\_\_

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date July 26, 2018

Board of Supervisors Meeting

Date \_\_\_\_\_

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Completed by: Linda Wong Date July 26, 2018  
 Completed by: Linda Wong Date \_\_\_\_\_

1 [Initiative Ordinance - Business and Tax Regulations Code - Additional Gross Receipts Tax on  
2 Cannabis]

3 **Motion ordering submitted to the voters, at an election to be held on November 6, 2018,**  
4 **an ordinance amending the Business and Tax Regulations Code to impose an**  
5 **additional gross receipts tax, starting January 1, 2021, on gross receipts from cannabis**  
6 **business activities, but exempting the first \$500,000 of gross receipts and exempting**  
7 **retail sales of medicinal cannabis; said tax to be between 1% and 5% depending on the**  
8 **type of cannabis business activity and amount of gross receipts, but may be adjusted**  
9 **at any time within a range of 0% to 7% by an ordinance adopted by a two-thirds vote of**  
10 **the Board of Supervisors for any increase (which is limited to 1% annually) or an**  
11 **ordinance adopted by a majority vote of the Board of Supervisors for any decrease;**  
12 **and increasing the City's appropriations limit by the amount collected under the new**  
13 **tax for four years from November 6, 2018.**

14  
15 **MOVED, That the Board of Supervisors hereby submits the following ordinance to the**  
16 **voters of the City and County of San Francisco, at an election to be held on November 6,**  
17 **2018.**

18  
19 **Ordinance amending the Business and Tax Regulations Code to impose an additional**  
20 **gross receipts tax, starting January 1, 2021, on gross receipts from cannabis business**  
21 **activities, but exempting the first \$500,000 of gross receipts and exempting retail sales**  
22 **of medicinal cannabis; said tax to be between 1% and 5% depending on the type of**  
23 **cannabis business activity and amount of gross receipts, but may be adjusted at any**  
24 **time within a range of 0% to 7% by an ordinance adopted by a two-thirds vote of the**  
25 **Board of Supervisors for any increase (which is limited to 1% annually) or an ordinance**

1 adopted by a majority vote of the Board of Supervisors for any decrease; and  
2 increasing the City's appropriations limit by the amount collected under the new tax for  
3 four years from November 6, 2018.

4  
5 NOTE: **Unchanged Code text and uncodified text** are in plain font.  
6 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
7 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
8 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code subsections or  
9 parts of tables.

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

11 Section 1. Pursuant to Article XIII C of the Constitution of the State of California, this  
12 ordinance shall be submitted to the qualified electors of the City and County of San Francisco  
13 at the November 6, 2018, consolidated general election.

14 Section 2. The Business and Tax Regulations Code is hereby amended by adding  
15 Article 30, consisting of Sections 3001 through 3014, to read as follows:

16  
17  
18 **ARTICLE 30: CANNABIS BUSINESS TAX**

19  
20 **SEC. 3001. SHORT TITLE.**

21 *This Article 30 shall be known as the "Cannabis Business Tax Ordinance," and the tax it*  
22 *imposes shall be known as the "Cannabis Business Tax."*  
23  
24  
25

1 SEC. 3002. DEFINITIONS.

2 Unless otherwise defined in this Article 30, the terms used in this Article shall have the  
3 meanings given to them in Articles 6 and 12-A-1 of the Business and Tax Regulations Code, as  
4 amended from time to time. For purposes of this Article 30, the following definitions shall apply:

5 "Cannabis" means all parts of the plant Cannabis sativa Linnaeus, Cannabis indica, or  
6 Cannabis ruderalis, whether growing or not; the seeds thereof; the resin, whether crude or purified,  
7 extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or  
8 preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether  
9 crude or purified, obtained from cannabis. "Cannabis" does not include the mature stalks of the plant,  
10 fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound,  
11 manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted  
12 therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For  
13 the purpose of this Article 30, "Cannabis" does not mean "Industrial Hemp."

14 "Cannabis Business Activities" means any business activities directly related to Cannabis or  
15 Cannabis Products, including but not limited to the cultivation, possession, manufacture, processing,  
16 storing, labeling, distribution, or sale of Cannabis or Cannabis Products for consideration. "Cannabis  
17 Business Activities" shall not include: (a) business activities indirectly related to Cannabis or  
18 Cannabis Products, including the sale of items that do not themselves contain Cannabis or Cannabis  
19 Products; (b) laboratory testing; and (c) transportation of Cannabis or Cannabis Products where the  
20 person transporting Cannabis or Cannabis Products never takes title to or sells Cannabis or Cannabis  
21 Products.

22 "Cannabis Products" means Cannabis that has undergone a process whereby the plant  
23 material has been transformed into a concentrate, including, but not limited to, concentrated Cannabis,  
24 or an edible or topical product containing Cannabis or concentrated Cannabis and other ingredients.  
25

1 "Industrial Hemp" means a fiber or oilseed crop, or both, that is limited to types of the plant  
2 Cannabis sativa L. having no more than three tenths of 1% tetrahydrocannabinol (THC) contained in  
3 the dried flowering tops, whether growing or not; the seeds of the plant; the resin extracted from any  
4 part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the  
5 plant, its seeds or resin produced therefrom.

6 "Medicinal Cannabis" means Cannabis or a Cannabis Product, respectively, sold for use under  
7 the Compassionate Use Act of 1996 (Proposition 215) by a medicinal cannabis patient in California  
8 who possesses a physician's recommendation.

9 "Retail Sale" means any transaction whereby, for any consideration, title to Cannabis or  
10 Cannabis Products is transferred from one person to another for the latter person's use and not for  
11 resale, and includes the delivery of Cannabis or Cannabis Products to a person for such person's own  
12 use and not for resale pursuant to an order placed for the purchase of the same and soliciting or  
13 receiving an order for the same.

14  
15 **SEC. 3003. IMPOSITION OF TAX.**

16 (a) Except as otherwise provided in this Article 30, for the privilege of engaging in Cannabis  
17 Business Activities in the City, the City imposes an annual Cannabis Business Tax on each person  
18 engaged in business in the City that receives gross receipts from Cannabis Business Activities  
19 attributable to the City.

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

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

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

1 (A) by 2.5% for gross receipts in excess of the amount exempt under Section  
2 3003(b)(1) and up to and including \$1,000,000; and

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

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

7 (A) by 1% for gross receipts in excess of the amount exempt under Section  
8 3003(b)(1) and up to and including \$1,000,000; and

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

10 (4) The Board of Supervisors may from time to time by an ordinance adopted by at  
11 least two-thirds of the members of the Board increase one or more of the rates provided for in Sections  
12 3003(b)(2) and 3003(b)(3), except that no rate may increase more than 1% annually and no rate may  
13 exceed 7%. The Board of Supervisors may from time to time by an ordinance adopted by a majority of  
14 the members of the Board decrease one or more of the rates provided for in Sections 3003(b)(2) and  
15 3003(b)(3). Any such adjustments in this Section 3003(b)(4) shall be effective no sooner than the tax  
16 year following the tax year in which the ordinance adjusting the rate is effective. The Controller shall  
17 prepare and submit a market analysis and impact report to the Board before the Board adjusts any tax  
18 rate under this Section 3003(b)(4).

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

23 (A) The person or combined group's taxable gross receipts shall be determined  
24 on an aggregate basis first for gross receipts attributable to the City from Cannabis Business Activities  
25

1 other than the Retail Sale of Cannabis or Cannabis Products, and then for gross receipts attributable to  
2 the City from the Retail Sale of Cannabis or Cannabis Products;

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

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

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

13  
14 **SEC. 3004. ALLOCATION; GROSS RECEIPTS ATTRIBUTABLE TO THE CITY.**

15 (a) Notwithstanding any other provision of this Article 30, any person subject to the Cannabis  
16 Business Tax engaging in Cannabis Business Activities in the City and engaging in no Cannabis  
17 Business Activities outside the City is subject to the Cannabis Business Tax on all non-exempt gross  
18 receipts.

19 (b) Notwithstanding any other provision of this Article 30, any person subject to the Cannabis  
20 Business Tax engaging in Cannabis Business Activities both in the City and outside the City shall  
21 determine their or their combined group's gross receipts attributable to the City from Cannabis  
22 Business Activities under Section 956.1 of Article 12-A-1. For purposes of this Section 3004(b), "gross  
23 receipts" as used in Section 956.1 of Article 12-A-1 shall mean all of the person or combined group's  
24 non-exempt gross receipts from Cannabis Business Activities.

1 **SEC. 3005. EXEMPTIONS AND EXCLUSIONS.**

2 (a) For purposes of this Article 30, gross receipts shall not include receipts from the Retail Sale  
3 of Medicinal Cannabis.

4 (b) An organization that is exempt from income taxation by Chapter 4 (commencing with  
5 Section 23701) of Part 11 of Division 2 of the California Revenue and Taxation Code or Subchapter F  
6 (commencing with Section 501) of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as  
7 amended, as qualified by Sections 502, 503, 504, and 508 of the Internal Revenue Code of 1986, as  
8 amended, shall be exempt from taxation under this Article 30, only so long as those exemptions  
9 continue to exist under state or federal law.

10 (c) For purposes of this Article 30, gross receipts shall not include receipts from business  
11 activities if, and only so long as and to the extent that, the City is prohibited from taxing such receipts  
12 under the Constitution or laws of the United States or under the Constitution or laws of the State of  
13 California.

14 (d) For only so long as and to the extent that the City is prohibited from imposing the Cannabis  
15 Business Tax, any person upon whom the City is prohibited under the Constitution or laws of the State  
16 of California or the Constitution or laws of the United States from imposing the Cannabis Business Tax  
17 shall be exempt from the Cannabis Business Tax.

18  
19 **SEC. 3006. RETURNS; COMBINED RETURNS.**

20 (a) Persons subject to the Cannabis Business Tax shall file returns at the same time and in the  
21 same manner as returns filed for the gross receipts tax (Article 12-A-1), including the rules for  
22 combined returns under Section 956.3, as amended from time to time.

23 (b) If a person is subject to the Cannabis Business Tax but is not required to file a gross  
24 receipts tax return, such person or combined group's Cannabis Business Tax return shall be filed at the  
25



1 same time and in the same manner as if such person or combined group were required to file a gross  
2 receipts tax return.

3 (c) For purposes of this Article 30, a lessor of residential real estate is treated as a separate  
4 person with respect to each individual building in which it leases residential real estate units,  
5 notwithstanding Section 6.2-15 of Article 6, as amended from time to time, or subsection (a) of this  
6 Section 3006. This subsection (c) applies only to leasing residential real estate units within a building,  
7 and not to any business activity related to other space, either within the same building or other  
8 buildings, which is not residential real estate. The Tax Collector is authorized to determine what  
9 constitutes a separate building and the number of units in a building.

10  
11 **SEC. 3007. TAX COLLECTOR AUTHORIZED TO DETERMINE GROSS RECEIPTS.**

12 The Tax Collector may, in the Tax Collector's reasonable discretion, independently establish a  
13 person or combined group's gross receipts attributable to the City from Cannabis Business Activities  
14 and establish or reallocate gross receipts among related entities so as to fairly reflect the gross receipts  
15 attributable to the City from Cannabis Business Activities of all persons and combined groups.

16  
17 **SEC. 3008. CONSTRUCTION AND SCOPE OF THE CANNABIS BUSINESS TAX**

18 **ORDINANCE.**

19 (a) This Article 30 is intended to authorize application of the Cannabis Business Tax in the  
20 broadest manner consistent with its provisions and with the California Constitution, the United States  
21 Constitution, and any other applicable provision of federal or state law.

22 (b) The Cannabis Business Tax imposed by this Article 30 is in addition to all other City taxes,  
23 including the gross receipts tax imposed by Article 12-A-1, as amended from time to time. Accordingly,  
24 by way of example and not limitation, persons subject to both the Cannabis Business Tax and the gross  
25

1 receipts tax shall pay both taxes. Persons exempt from either the gross receipts tax or the Cannabis  
2 Business Tax, but not both, shall pay the tax from which they are not exempt.

3  
4 **SEC. 3009. ADMINISTRATION OF THE CANNABIS BUSINESS TAX ORDINANCE.**

5 Except as otherwise provided under this Article 30, the Cannabis Business Tax Ordinance shall  
6 be administered pursuant to Article 6 of the Business and Tax Regulations Code, as amended from time  
7 to time.

8  
9 **SEC. 3010. EXPENDITURE OF PROCEEDS.**

10 Proceeds from the Cannabis Business Tax shall be deposited in the City's General Fund and  
11 may be spent for unrestricted general revenue purposes of the City.

12  
13 **SEC. 3011. AMENDMENT OF ORDINANCE.**

14 Except as limited in Section 3003(b)(4) and as limited by Article XIII C of the California  
15 Constitution, the Board of Supervisors may amend or repeal this Article 30 by ordinance without a vote  
16 of the people.

17  
18 **SEC. 3012. EFFECT OF STATE AND FEDERAL AUTHORIZATION.**

19 To the extent that the City's authorization to impose or collect any tax imposed under this  
20 Article 30 is expanded or limited as a result of changes in state or federal statutes, regulations, or other  
21 laws, or judicial interpretations of those laws, no amendment or modification of this Article shall be  
22 required to conform the taxes to those changes, and the taxes are hereby imposed in conformity with  
23 those changes and the Tax Collector shall collect them to the full extent of the City's authorization up  
24 to the full amount and rate of the taxes imposed under this Article.

1 **SEC. 3013. SEVERABILITY.**

2 (a) Except as provided in Section 3013(b), if any section, subsection, sentence, clause, phrase,  
3 or word of this Article 30, or the application thereof to any person or circumstance, is for any reason  
4 held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision  
5 shall not affect the validity of the remaining portions of this Article, including the application of such  
6 portions to other persons or circumstances. The People of the City and County of San Francisco  
7 hereby declare that, except as provided in Section 3013(b), they would have adopted each section,  
8 subsection, sentence, clause, phrase, and word of this Article not declared invalid or unconstitutional  
9 without regard to whether any other portion of this Article would be subsequently declared invalid or  
10 unconstitutional.

11 (b) If the imposition of the Cannabis Business Tax in Section 3003 is held in its entirety to be  
12 facially invalid or unconstitutional in a final court determination, the remainder of this Article 30 shall  
13 be void and of no force and effect, and the City Attorney shall cause it to be removed from the Business  
14 and Tax Regulations Code.

15  
16 **SEC. 3014. SAVINGS CLAUSE.**

17 No section, clause, part, or provision of this Article 30 shall be construed as requiring the  
18 payment of any tax that would be in violation of the Constitution or laws of the United States or of the  
19 Constitution or laws of the State of California.

20  
21 Section 3. Appropriations Limit Increase. Pursuant to California Constitution  
22 Article XIII B and applicable laws, for four years from November 6, 2018, the appropriations  
23 limit for the City shall be increased by the aggregate sum collected by the levy of the tax  
24 imposed under this ordinance.

1 Section 4. Effective and Operative Dates. The effective date of this ordinance shall be  
2 10 days after the date the official vote count is declared by the Board of Supervisors. This  
3 ordinance shall become operative on January 1, 2021.  
4

5 APPROVED AS TO FORM:

6 DENNIS J. HERRERA, City Attorney

7  
8 By:

9   
MOE JAMIL  
Deputy City Attorney

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**LEGISLATIVE DIGEST**

*(Amended in Committee – Third Draft – 7/19/18)*

[Initiative Ordinance - Business and Tax Regulations Code - Additional Gross Receipts Tax on Cannabis]

**Motion ordering submitted to the voters, at an election to be held on November 6, 2018, an ordinance amending the Business and Tax Regulations Code to impose an additional gross receipts tax, starting January 1, 2021, on gross receipts from cannabis business activities, but exempting the first \$500,000 of gross receipts and exempting retail sales of medicinal cannabis; said tax to be between 1% and 5% depending on the type of cannabis business activity and amount of gross receipts, but may be adjusted at any time within a range of 0% to 7% by an ordinance adopted by a two-thirds vote of the Board of Supervisors for any increase (which is limited to 1% annually) or an ordinance adopted by a majority vote of the Board of Supervisors for any decrease; and increasing the City's appropriations limit by the amount collected under the new tax for four years from November 6, 2018.**

Existing Law

Businesses engaged in cannabis business activities currently pay a gross receipts tax under Article 12-A-1 of the Business and Tax Regulations Code. The rates vary based on the type of cannabis business activity and the amount of each business's gross receipts, and range from 0.075% to 0.65%.

Businesses with \$1,000,000 or less in total gross receipts within the City (whether from cannabis business activities or any other line of business), adjusted for inflation, are generally exempt from the gross receipts tax in Article 12-A-1. Certain other businesses (e.g., certain non-profits, banks, insurance companies, etc.) are also exempt.

Amendments to Current Law

Beginning on January 1, 2021, this ordinance would impose an additional gross receipts tax on businesses engaging in cannabis business activities in the City (the "Cannabis Business Tax"). Cannabis business activities means any business activities directly related to cannabis or cannabis products, including but not limited to cultivation, possession, manufacture, processing, storing, labeling, distribution, or sale of cannabis or cannabis products for consideration. Cannabis business activities does not include: (1) business activities indirectly related to cannabis or cannabis products, such as the sale of items that do not themselves contain cannabis; (2) laboratory testing of cannabis, and (3) transportation of cannabis or cannabis products where the person transporting cannabis or cannabis products never takes title to or sells cannabis or cannabis products. Businesses liable for the Cannabis Business Tax would also remain liable for the existing gross receipts tax.

Beginning on January 1, 2021, the Cannabis Business Tax rate would be:

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

The ordinance would provide rules for how businesses with gross receipts both from the retail sale of cannabis or cannabis products and from cannabis business activities other than the retail sale of cannabis and cannabis products should calculate their Cannabis Business Tax.

The ordinance would permit the Board of Supervisors, by a vote of at least eight members, to increase any or all of the above tax rates, except that each rate could not exceed 7%. The ordinance would also permit the Board of Supervisors, by a majority vote, to decrease any or all of the above tax rates. Any increase in tax would be limited to 1% annually.

The first \$500,000 of gross receipts from cannabis business activities would be exempt from the Cannabis Business Tax. Businesses with gross receipts both from the retail sale of cannabis or cannabis products and from cannabis business activities other than the retail sale of cannabis and cannabis products would be entitled to only one \$500,000 exemption. Additionally, amounts received from the retail sale of medicinal cannabis would be excluded from the calculation of the Cannabis Business Tax. Certain businesses exempt from the existing gross receipts tax (e.g., certain non-profits, banks, insurance companies, etc.) would also be exempt from the Cannabis Business Tax.

All proceeds from the Cannabis Business Tax would be deposited into the general fund and could be expended for any purposes of the City.

This ordinance would also increase the City's appropriations limit under Article XIII B by the amounts collected from the Cannabis Business Tax, for four years from November 6, 2018.

#### Background

This digest reflects amendments made at the Budget and Finance Committee on July 12, 2018. The amendments:

- Removed transportation from the definition of Cannabis Business Activities if the person transporting cannabis or cannabis products never takes title to or sells cannabis or cannabis products;

- For the tax year 2020, reduced the Cannabis Business Tax rate from 2% to 1%;
- For subsequent years, reduced the Cannabis Business Tax Rate from 2% to 1% for gross receipts from cannabis business activities other than the retail sale of cannabis or cannabis products up to and including \$1,000,000, and from 3% to 1.5% for gross receipts from cannabis business activities other than the retail sale of cannabis or cannabis products above \$1,000,000;
- Reduced the voting threshold required to decrease the tax from eight members of the Board of Supervisors to a majority of the members of the Board of Supervisors;
- Reduced the maximum rate up to which the Board of Supervisors could increase the tax from 10% to 7%; and
- Limited any increases to the tax rate to 1% annually.

This digest reflects amendments made at the Budget and Finance Committee on July 19, 2018. The amendments changed the operative date of the Cannabis Business Tax to January 1, 2021, instead of January 1, 2020.

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**OFFICE OF THE CONTROLLER**  
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield  
Controller

Todd Rydstrom  
Deputy Controller

File # 180629  
Received in Committee  
7/12/18  
J

## MEMORANDUM

**TO:** Supervisor Malia Cohen  
**FROM:** Ted Egan, Chief Economist  
**DATE:** July 11, 2018  
**SUBJECT:** Additional Gross Receipts Tax on Cannabis: Impact on the Industry

On July 2<sup>nd</sup>, our office determined that the proposed additional Gross Receipts Tax on cannabis products would not require an economic impact report, because of the relatively small amount of revenue that it would raise. Subsequently, your office indicated an interest in understanding how it would affect cannabis retailers, and whether it would severely undermine this emerging industry. This brief memo summarizes what we know about this question.

The tax will clearly have some adverse impact on the cannabis industry, but whether it would lead to an actual contraction depends on two main factors. Firstly, the industry's rate of growth since the legalization of recreational cannabis could potentially sustain profits, even in the face of a new Gross Receipts tax. This would particularly be true if legalization was not accompanied by new businesses entering the industry, as that would tend to increase competition and lower prices and profit margins.

Secondly, if the tax could be passed on to consumers in the form of higher prices, that would also protect the profit margins of retailers and other cannabis sellers.

Based on recent sales tax data, and existing research on cannabis consumption, we have some information that speaks to these two questions. We have recently obtained San Francisco sales tax filings for the first quarter of 2018, which covers the first three months that recreational cannabis sales were legal. The data shows a 25% growth in revenue for sellers of cannabis products, between the January-March of 2017, and January-March of 2018.





**OFFICE OF THE CONTROLLER**  
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield  
Controller  
Todd Rydstrom  
Deputy Controller

Ms. Angela Calvillo  
Clerk of the Board of Supervisors  
1 Dr. Carlton B. Goodlett Place Room 244  
San Francisco, CA 94102-4689

July 3, 2018

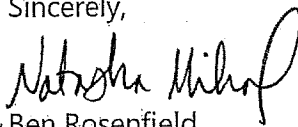
RE: File 180629 - Ordinance amending the Business Tax & Regulations Code – Additional gross receipts tax on cannabis

Dear Ms. Calvillo,

Should this ordinance be approved, in my opinion, it would result in an annual tax revenue increase to the City of between \$0.5 million and \$1.5 million in fiscal year FY 2019-2020, between \$3 million and \$7 million in FY 2020-21, and between \$5 million and \$12 million annually beginning in FY 2021-22. The tax is a general tax and proceeds would be deposited into the General Fund.

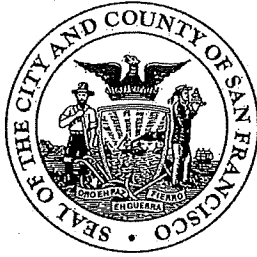
The measure would amend the City's Business Tax and Regulations Code to impose a cannabis business tax rate of two percent for all cannabis business activities, but exempting the first \$500,000 of gross receipts and exempting retail sales of medicinal cannabis, beginning on January 1, 2020. The tax rate will increase in 2021 to between two percent and five percent depending on the type of cannabis business activity and amount of a business's gross receipts, which may be adjusted at any time within a range of zero percent to ten percent by ordinance adopted by a two-thirds vote of the Board of Supervisors.

Sincerely,

  
for Ben Rosenfield  
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information

BOARD of SUPERVISORS



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

June 12, 2018

File No. 180629

Lisa Gibson  
Environmental Review Officer  
Planning Department  
1650 Mission Street, Suite 400  
San Francisco, CA 94103

Dear Ms. Gibson:


On June 5, 2018, Supervisor Cohen introduced legislation for the following proposed Initiative Ordinance for the November 6, 2018, Election:

**File No. 180629**

**Motion ordering submitted to the voters, at an election to be held on November 6, 2018, an Ordinance amending the Business and Tax Regulations Code to impose an additional gross receipts tax, starting January 1, 2020, on gross receipts from cannabis business activities, but exempting the first \$500,000 of gross receipts and exempting retail sales of medicinal cannabis; said tax for 2020 to be set at a rate of 2%, which will increase in 2021 to between 2% and 5% depending on the type of cannabis business activity and amount of gross receipts, and which may be adjusted at any time within a range of 0% to 10% by Ordinance adopted by a two-thirds vote of the Board of Supervisors; and increasing the City's appropriations limit by the amount collected under the new tax for four years from November 6, 2018.**

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

*for* By:   
Linda Wong, Assistant Clerk  
Budget and Finance Committee

Attachment

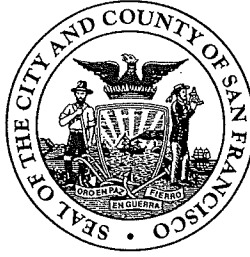
c: Joy Navarrete, Environmental Planner  
Laura Lynch, Environmental Planner

Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it does not result in a direct or reasonably foreseeable physical change in the environment.

Joy Navarrete

Digitally signed by Joy Navarrete  
DN: cn=Joy Navarrete, o=Planning,  
ou=Environmental Planning,  
email=joy.navarrete@sfgov.org, c=US  
Date: 2018.07.03 17:04:17 -07'00'

BOARD of SUPERVISORS



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

July 18, 2018

File No. 180629-2

Lisa Gibson  
Environmental Review Officer  
Planning Department  
1650 Mission Street, Suite 400  
San Francisco, CA 94103

Dear Ms. Gibson:

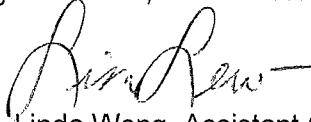
On July 12, 2018, Supervisor Cohen introduced legislation for the following amended Initiative Ordinance for the November 6, 2018, Election:

**File No. 180629-2**

**Motion ordering submitted to the voters, at an election to be held on November 6, 2018, an ordinance amending the Business and Tax Regulations Code to impose an additional gross receipts tax, starting January 1, 2020, on gross receipts from cannabis business activities, but exempting the first \$500,000 of gross receipts and exempting retail sales of medicinal cannabis; said tax for 2020 to be set at a rate of 1%, which will increase in 2021 to between 1% and 5% depending on the type of cannabis business activity and amount of gross receipts, and which may be adjusted at any time within a range of 0% to 7% by an ordinance adopted by a two-thirds vote of the Board of Supervisors for any increase (which is limited to 1% annually) or an ordinance adopted by a majority vote of the Board of Supervisors for any decrease; and increasing the City's appropriations limit by the amount collected under the new tax for four years from November 6, 2018.**

This amended legislation is being transmitted to you for environmental review.

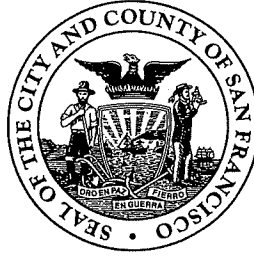
Angela Calvillo, Clerk of the Board

  
for By: Linda Wong, Assistant Clerk  
Budget and Finance Sub-Committee

Attachment

c: Joy Navarrete, Environmental Planner  
Laura Lynch, Environmental Planner


BOARD of SUPERVISORS



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

## MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller

FROM:  Linda Wong, Assistant Clerk, Budget and Finance Sub-Committee  
Board of Supervisors

DATE: July 18, 2018

SUBJECT: AMENDED INITIATIVE ORDINANCE INTRODUCED  
November 6, 2018 Election

---

The Board of Supervisors' Budget and Finance Committee has received the following amended Initiative Ordinance for the November 6, 2018, Election, introduced by Supervisor Cohen on July 12, 2018. This matter is being referred to you in accordance with Rules of Order 2.22.4.

**File No. 180629-2**

**Motion ordering submitted to the voters, at an election to be held on November 6, 2018, an ordinance amending the Business and Tax Regulations Code to impose an additional gross receipts tax, starting January 1, 2020, on gross receipts from cannabis business activities, but exempting the first \$500,000 of gross receipts and exempting retail sales of medicinal cannabis; said tax for 2020 to be set at a rate of 1%, which will increase in 2021 to between 1% and 5% depending on the type of cannabis business activity and amount of gross receipts, and which may be adjusted at any time within a range of 0% to 7% by an ordinance adopted by a two-thirds vote of the Board of Supervisors for any increase (which is limited to 1% annually) or an ordinance adopted by a majority vote of the Board of Supervisors for any decrease; and increasing the City's appropriations limit by the amount collected under the new tax for four years from November 6, 2018.**

Please review and prepare a financial analysis of the proposed measure prior to the July 19, 2018, Budget and Finance Sub-Committee hearing.

If you have any questions or concerns, please call me at (415) 554-7719 or email: [linda.wong@sfgov.org](mailto:linda.wong@sfgov.org). To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Deputy City Controller  
Peg Stevenson, City Performance Director  
Natasha Mihal, City Services Auditor


BOARD of SUPERVISORS



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

## MEMORANDUM

TO: Regina Dick-Endrizzi, Director  
Small Business Commission, City Hall, Room 448

FROM:  Linda Wong, Assistant Clerk  
Budget and Finance Sub-Committee

DATE: July 18, 2018

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS  
Budget and Finance Sub-Committee

The Board of Supervisors' Budget and Finance Sub-Committee has received the following amended legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

**File No. 180629-2**

**Motion ordering submitted to the voters, at an election to be held on November 6, 2018, an ordinance amending the Business and Tax Regulations Code to impose an additional gross receipts tax, starting January 1, 2020, on gross receipts from cannabis business activities, but exempting the first \$500,000 of gross receipts and exempting retail sales of medicinal cannabis; said tax for 2020 to be set at a rate of 1%, which will increase in 2021 to between 1% and 5% depending on the type of cannabis business activity and amount of gross receipts, and which may be adjusted at any time within a range of 0% to 7% by an ordinance adopted by a two-thirds vote of the Board of Supervisors for any increase (which is limited to 1% annually) or an ordinance adopted by a majority vote of the Board of Supervisors for any decrease; and increasing the City's appropriations limit by the amount collected under the new tax for four years from November 6, 2018.**

Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

\*\*\*\*\*

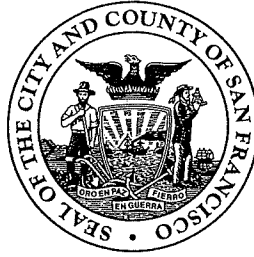
RESPONSE FROM SMALL BUSINESS COMMISSION - Date: \_\_\_\_\_

No Comment

Recommendation Attached

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

BOARD of SUPERVISORS



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

## MEMORANDUM

TO: Andres Power, Liaison to the Board of Supervisors, Mayor's Office  
Jon Givner, Deputy City Attorney, Office of the City Attorney  
John Arntz, Director, Department of Elections  
LeeAnn Pelham, Executive Director, Ethics Commission  
Naomi Kelly, City Administrator, Office of the City Administrator  
Jose Cisneros, Treasurer, Office of the Treasurer & Tax Collector  
Nicole Elliott, Director, Office of Cannabis

FROM: *ll*  
*bn* Linda Wong, Assistant Clerk, Budget and Finance Sub-Committee  
Board of Supervisors

DATE: July 18, 2018

SUBJECT: AMENDED INITIATIVE ORDINANCE INTRODUCED  
November 6, 2018 Election

---

The Board of Supervisors' Budget and Finance Sub-Committee has received the following amended Initiative Ordinance for the November 6, 2018, Election, introduced by Supervisor Cohen on July 12, 2018. This matter is being referred to you in accordance with Rules of Order 2.22.4.

**File No. 180629-2**

**Motion ordering submitted to the voters, at an election to be held on November 6, 2018, an ordinance amending the Business and Tax Regulations Code to impose an additional gross receipts tax, starting January 1, 2020, on gross receipts from cannabis business activities, but exempting the first \$500,000 of gross receipts and exempting retail sales of medicinal cannabis; said tax for 2020 to be set at a rate of 1%, which will increase in 2021 to between 1% and 5% depending on the type of cannabis business activity and amount of gross receipts, and which may be adjusted at any time within a range of 0% to 7% by an ordinance adopted by a two-thirds vote of the Board of Supervisors for any increase (which is limited to 1% annually) or an ordinance adopted by a majority vote of the Board of Supervisors for any decrease; and increasing the City's appropriations limit by the amount collected under the new tax for four years from November 6, 2018.**



Please review and submit any reports or comments you wish to be included with the legislative file.

If you have any questions or concerns, please call me at (415) 554-7719 or email: [linda.wong@sfgov.org](mailto:linda.wong@sfgov.org). To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c:     Shahde Tavakoli, Mayor's Office  
       Patrick Ford, Ethics Commission  
       Lynn Khaw, Office of the City Administrator  
       Lihmeei Leu, Office of the City Administrator  
       Amanda Kahn Fried, Office of the Treasurer & Tax Collector  
       Ray Law, Office of Cannabis

BOARD of SUPERVISORS



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San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

June 12, 2018

File No. 180629

Lisa Gibson  
Environmental Review Officer  
Planning Department  
1650 Mission Street, Suite 400  
San Francisco, CA 94103

Dear Ms. Gibson:


On June 5, 2018, Supervisor Cohen introduced legislation for the following proposed Initiative Ordinance for the November 6, 2018, Election:

**File No. 180629**

**Motion ordering submitted to the voters, at an election to be held on November 6, 2018, an Ordinance amending the Business and Tax Regulations Code to impose an additional gross receipts tax, starting January 1, 2020, on gross receipts from cannabis business activities, but exempting the first \$500,000 of gross receipts and exempting retail sales of medicinal cannabis; said tax for 2020 to be set at a rate of 2%, which will increase in 2021 to between 2% and 5% depending on the type of cannabis business activity and amount of gross receipts, and which may be adjusted at any time within a range of 0% to 10% by Ordinance adopted by a two-thirds vote of the Board of Supervisors; and increasing the City's appropriations limit by the amount collected under the new tax for four years from November 6, 2018.**

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

*for* By:   
Linda Wong, Assistant Clerk  
Budget and Finance Committee

Attachment

c: Joy Navarrete, Environmental Planner  
Laura Lynch, Environmental Planner

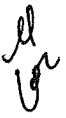
BOARD of SUPERVISORS



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

## MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller

FROM:  Linda Wong, Assistant Clerk, Budget and Finance Committee  
Board of Supervisors

DATE: June 12, 2018

SUBJECT: INITIATIVE ORDINANCE INTRODUCED  
November 6, 2018 Election

---

The Board of Supervisors' Budget and Finance Committee has received the following Initiative Ordinance for the November 6, 2018, Election, introduced by Supervisor Cohen on June 5, 2018. This matter is being referred to you in accordance with Rules of Order 2.22.4.

**File No. 180629**

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Please review and prepare a financial analysis of the proposed measure prior to the first Budget and Finance Committee hearing.

If you have any questions or concerns, please call me at (415) 554-7719 or email: [linda.wong@sfgov.org](mailto:linda.wong@sfgov.org). To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Deputy City Controller  
Peg Stevenson, City Performance Director

BOARD of SUPERVISORS



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## MEMORANDUM

TO: Regina Dick-Endrizzi, Director  
**Small Business Commission, City Hall, Room 448**

FROM:  Linda Wong, Assistant Clerk  
Budget and Finance Committee

DATE: June 12, 2018

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS  
Budget and Finance Committee

The Board of Supervisors' Budget and Finance Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

**File No. 180629**

**Motion ordering submitted to the voters, at an election to be held on November 6, 2018, an Ordinance amending the Business and Tax Regulations Code to impose an additional gross receipts tax, starting January 1, 2020, on gross receipts from cannabis business activities, but exempting the first \$500,000 of gross receipts and exempting retail sales of medicinal cannabis; said tax for 2020 to be set at a rate of 2%, which will increase in 2021 to between 2% and 5% depending on the type of cannabis business activity and amount of gross receipts, and which may be adjusted at any time within a range of 0% to 10% by Ordinance adopted by a two-thirds vote of the Board of Supervisors; and increasing the City's appropriations limit by the amount collected under the new tax for four years from November 6, 2018.**

Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

\*\*\*\*\*

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

No Comment

Recommendation Attached

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


BOARD of SUPERVISORS



City Hall  
Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
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## MEMORANDUM

TO: Andres Power, Liaison to the Board of Supervisors, Mayor's Office  
Jon Givner, Deputy City Attorney, Office of the City Attorney  
John Arntz, Director, Department of Elections  
LeeAnn Pelham, Executive Director, Ethics Commission  
Naomi Kelly, City Administrator, Office of the City Administrator  
Jose Cisneros, Treasurer, Office of the Treasurer & Tax Collector  
Nicole Elliott, Director, Office of Cannabis

FROM:  Linda Wong, Assistant Clerk, Budget and Finance Committee  
Board of Supervisors

DATE: June 12, 2018

SUBJECT: INITIATIVE ORDINANCE INTRODUCED  
November 6, 2018 Election

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Please review and submit any reports or comments you wish to be included with the legislative file.

If you have any questions or concerns, please call me at (415) 554-7719 or email: [linda.wong@sfgov.org](mailto:linda.wong@sfgov.org). To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c:     Shahde Tavakoli, Mayor's Office  
       Kyle Kundert, Ethics Commission  
       Lynn Khaw, Office of the City Administrator  
       Lihmeei Leu, Office of the City Administrator  
       Amanda Kahn Fried, Office of the Treasurer & Tax Collector  
       Ray Law, Office of Cannabis

Print Form

# Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED  
 BOARD OF SUPERVISORS  
 SAN FRANCISCO  
 2018 JUN -5 PM 3:17  
 BY \_\_\_\_\_ Time stamp SB  
 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):

Cohen

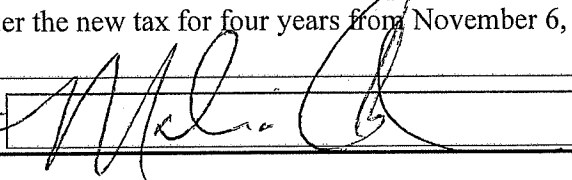
Subject:

[Initiative Ordinance - Business and Tax Regulations Code - Additional Gross Receipts Tax on Cannabis]

The text is listed:

Motion ordering submitted to the voters, at an election to be held on November 6, 2018, an ordinance amending the Business and Tax Regulations Code to impose an additional gross receipts tax, starting January 1, 2020, on gross receipts from cannabis business activities, but exempting the first \$500,000 of gross receipts and exempting retail sales of medicinal cannabis; said tax for 2020 to be set at a rate of 2%, which will increase in 2021 to between 2% and 5% depending on the type of cannabis business activity and amount of gross receipts, and which may be adjusted at any time within a range of 0% to 10% by ordinance adopted by a two-thirds vote of the Board of Supervisors; and increasing the City's appropriations limit by the amount collected under the new tax for four years from November 6, 2018.

Signature of Sponsoring Supervisor



For Clerk's Use Only



## Wong, Linda (BOS)

---

**From:** Board of Supervisors, (BOS)  
**Sent:** Friday, July 06, 2018 12:34 PM  
**To:** Somera, Alisa (BOS); Wong, Linda (BOS)  
**Subject:** FW: Local Cannabis Taxation in San Francisco  
**Attachments:** CTF letter to BoS --Taxation -- 7.2.18.pdf

For File No. 180629.

---

**From:** Calvillo, Angela (BOS)  
**Sent:** Tuesday, July 03, 2018 11:50 AM  
**To:** Mchugh, Eileen (BOS) <[eileen.e.mchugh@sfgov.org](mailto:eileen.e.mchugh@sfgov.org)>  
**Subject:** FW: Local Cannabis Taxation in San Francisco

---

**From:** Tim Morrison [<mailto:tmorrison@harderco.com>]  
**Sent:** Monday, July 02, 2018 5:00 PM  
**To:** BOS-Supervisors <[bos-supervisors@sfgov.org](mailto:bos-supervisors@sfgov.org)>; BOS-Legislative Aides <[bos-legislative\\_aides@sfgov.org](mailto:bos-legislative_aides@sfgov.org)>; BOS-Everyone <[bos-everyone@sfgov.org](mailto:bos-everyone@sfgov.org)>  
**Cc:** DPH - terrance <[terrance@sequelmedia.com](mailto:terrance@sequelmedia.com)>; DPH - jen.garcia7 <[jen.garcia7@yahoo.com](mailto:jen.garcia7@yahoo.com)>; DPH - sara2 <[sara@sarapayan.com](mailto:sara@sarapayan.com)>; Elliott, Nicole (ADM) <[nicole.elliott@sfgov.org](mailto:nicole.elliott@sfgov.org)>; DPH - mmagee <[mmagee@harderco.com](mailto:mmagee@harderco.com)>  
**Subject:** Local Cannabis Taxation in San Francisco

Dear Mayor-Elect Breed and Honorable Members of the San Francisco Board of Supervisors:

On behalf of the San Francisco Cannabis State Legalization Task Force, please find a letter attached outlining the Task Force's six recommendations regarding local cannabis taxation.

Should your offices have any questions about this letter, please do not hesitate to reach out to any of the Chair, Co-Chairs or Nicole Elliott at [Nicole.Elliott@sfgov.org](mailto:Nicole.Elliott@sfgov.org) or 415-554-4684.

Sincerely,  
Tim Morrison  
Task Force co-facilitator

CC: Terrance Alan, Task Force Chair, Seat 19  
Jennifer Garcia, Task Force Co-Chair, Seat 20  
Sara Payan, Task Force Co-Chair, Seat 12  
Nicole Elliott, Director, Office of Cannabis  
Michelle Magee, Harder+Company Community Research, Task Force Facilitator

Tim Morrison, MPP | Research Associate  
Harder+Company Community Research  
299 Kansas Street, San Francisco, CA 94103  
(415) 522-5400 | [www.harderco.com](http://www.harderco.com) | [@HarderCo](https://twitter.com/HarderCo)

## San Francisco Cannabis State Legalization Task Force

Terrance Alan, Chair | Seat 19: Individual working in entertainment or nightlife industry

Jennifer Garcia, Co-Chair | Seat 20: Labor union representative for cannabis industry

Sara Payan, Co-Chair | Seat 12: Individual who uses cannabis, with at least 2 years' cannabis legislative advocacy experience

July 2, 2018

San Francisco Board of Supervisors  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102

### Re: Local Cannabis Taxation in San Francisco

Dear Mayor-Elect Breed and Supervisors:

Between April and June 2018, the Cannabis Task Force discussed local cannabis taxation through the lens of our guiding principles to: (1) promote health and safety and design policy options that reduce youth exposure and access to cannabis; (2) rely upon sound, evidence-based or experiential information and data, and (3) design policy options that seek to reduce the illicit market. As a result of our deliberations and our guiding principles, we offer the following recommendations:

- 1. Tax rate:** If San Francisco decides to implement local adult use cannabis taxes, the City should consider a 0 to 3% tax at the point of sale. The State has imposed a 15% excise tax on adult use cannabis. Therefore, the local point of sale tax should not exceed 3%, to prevent consumers from purchasing from the illicit market due to taxes that are perceived to be too high.
- 2. Collection mechanism:** Given that the cannabis industry currently operates primarily on a cash-only basis, San Francisco's Office of the Treasurer and Tax Collector should create a mechanism to collect local cannabis taxes locally.
- 3. Compassion incentives:** San Francisco should provide incentives (e.g. tax and licensing incentives) to cannabis organizations that provide compassion programs.
- 4. Employment incentives:** Provide employer financial incentives for hiring populations impacted by the war on drugs (e.g., fee discounts and tax breaks, such as Enterprise zone tax credit, payroll/gross receipt tax)
- 5. Data collection:** San Francisco should use an evidence-based approach to inform future adult use cannabis tax policies and legislation. The City should engage key stakeholders to identify and collect appropriate data points to assess the impact of cannabis legalization.
- 6. Revenue allocation:** San Francisco should consider allocating its local adult use cannabis tax revenue towards the City's local regulatory, policy, and programmatic goals with respect to cannabis legalization. Allocation of funds shall be directed towards community identified priorities including, but not limited to:
  - Workforce development
  - Entrepreneurial opportunity fund and reinvestment fund
  - Education, counseling and treatment services for students and youth directed towards substance use/abuse programs that emerge from cannabis legalization
  - General education and city college education
  - Education and training for formerly incarcerated persons

Thank you for your consideration, and please feel free to contact us with any concerns, comments or questions. We look forward to working closely with you to establish an environment where consumers, patients, and workers can thrive in San Francisco's regulated cannabis industry.

Sincerely,

Terrance Alan, Seat #19 & Chair - [terrance@sequelmedia.com](mailto:terrance@sequelmedia.com)

Sara Payan, Seat #12 & Co-chair - [sara@sarapayan.com](mailto:sara@sarapayan.com)

Jennifer Garcia, Seat #20 & Co-chair - [jen.garcia7@yahoo.com](mailto:jen.garcia7@yahoo.com)

San Francisco Cannabis State Legalization Task Force

CC: Nicole Elliott, Director, Office of Cannabis, [nicole.elliott@sfgov.org](mailto:nicole.elliott@sfgov.org)