



CITY AND COUNTY OF SAN FRANCISCO
LONDON BREED, MAYOR

OFFICE OF SMALL BUSINESS
REGINA DICK-ENDRIZZI, DIRECTOR

November 5, 2020

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

RE: BOS File No. 201009 – Business and Tax Regulations Code - Temporary Suspension of Cannabis Business Tax, and Tax Reduction

Small Business Commission Recommendation to the Board of Supervisors: **Support.**

Dear Ms. Calvillo,

On October 26, 2020 the Small Business Commission (SBC or Commission) heard BOS File No. 201009 – Business and Tax Regulations Code - Temporary Suspension of Cannabis Business Tax, and Tax Reduction. Tom Temprano, Legislative Aide to Supervisor Rafael Mandelman provided the SBC with an overview of the legislation. After discussion, the SBC voted (5-0, with one absent and one recused) to recommend that the Board of Supervisors support the legislation.

Mr. Temprano provided a thorough review of the legislation and the legislative intent for the Commission. In particular, he cited that this legislation was written in order to support a nascent industry in San Francisco and to ensure that cannabis operators can continue to support a growing workforce. Moreover, he shared that the genesis of the legislation originated from cannabis operators, the Office of Cannabis, and the City Attorney's Office, and attempts to be directly responsive to economic challenges related to the pandemic. He also acknowledged that this legislation would support this industry while it continues to be subject to extraordinarily high State taxes.

The Commission cited that, in addition to high tax rates, the cannabis industry is also challenged by significant regulatory hurdles. They noted that regulatory process improvements are needed and Mr. Temprano concurred.

The Commissioners also expressed a lack of understanding of the precise economic health of the cannabis industry as a whole and the need for such a tax relief measure. Mr. Temprano reiterated that this tax suspension would provide needed relief for a burgeoning industry, especially for equity applicants. Additionally, he noted that with respect to cannabis products, studies have shown that as they are taxed at higher rates, the cost of the product goes up as well. This has the unintended consequence of shifting consumer activity to the illicit marketplace rather than the safe and well-regulated marketplace. Should this pass, there is an anticipated \$8.3 million loss to the general fund over the next year. The Commission contemplated that this tax suspension

would be most beneficial to equity applicants and operators.

Ultimately, the Commission voted unanimously to support the legislation as presented with one Commissioner absent and one Commissioner recused.

Thank you for considering the Commission's recommendation. Please feel free to contact me should you have any questions.

Sincerely,

A handwritten signature in cursive script, reading "Regina Dick-Endrizzi".

Regina Dick-Endrizzi
Director, Office of Small Business

cc: Jose Cisneros Treasurer, City County San Francisco
Sophia Kittler, Mayor's Liaison to the Board of Supervisors
Lisa Pagan, Office of Economic and Workforce Development
Linda Wong, Clerk, Budget and Finance Committee