

File No. 250929

Committee Item No. 13

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

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date December 3, 2025

Board of Supervisors Meeting Date \_\_\_\_\_

#### Cmte Board

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<input checked="" type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budget and Legislative Analyst Report
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**OTHER** (Use back side if additional space is needed)

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>FYI Referral 9/15/2025</u>
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Completed by: Brent Jalipa Date November 20, 2025

Completed by: Brent Jalipa Date \_\_\_\_\_

[Business and Tax Regulations Code - Cannabis Business Tax Repeal]

**Ordinance amending the Business and Tax Regulations Code to repeal the cannabis business tax beginning on January 1, 2026, and remove references to the cannabis business tax from the common administrative provisions of the Code.**

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

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

Section 1. The Business and Tax Regulations Code is hereby amended by deleting Article 30, consisting of Sections 3001, 3002, 3003, 3004, 3005, 3006, 3007, 3008, 3009, 3010, 3011, 3012, 3013, and 3014, as follows:

**~~ARTICLE 30: CANNABIS BUSINESS TAX~~**

**~~SEC. 3001. SHORT TITLE.~~**

~~This Article 30 shall be known as the “Cannabis Business Tax Ordinance,” and the tax it imposes shall be known as the “Cannabis Business Tax.”~~

**~~SEC. 3002. DEFINITIONS.~~**

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

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

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

18       ~~“Cannabis Products” means Cannabis that has undergone a process whereby the plant~~  
19       ~~material has been transformed into a concentrate, including, but not limited to, concentrated Cannabis,~~  
20       ~~or an edible or topical product containing Cannabis or concentrated Cannabis and other ingredients.~~

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

1           ~~“Medicinal Cannabis” means Cannabis or a Cannabis Product, respectively, sold for use under~~  
2 ~~the Compassionate Use Act of 1996 (Proposition 215) by a medicinal cannabis patient in California~~  
3 ~~who possesses a physician’s recommendation.~~

4           ~~“Retail Sale” means any transaction whereby, for any consideration, title to Cannabis or~~  
5 ~~Cannabis Products is transferred from one person to another for the latter person’s use and not for~~  
6 ~~resale, and includes the delivery of Cannabis or Cannabis Products to a person for such person’s own~~  
7 ~~use and not for resale pursuant to an order placed for the purchase of the same and soliciting or~~  
8 ~~receiving an order for the same.~~

9  
10 **~~SEC. 3003. IMPOSITION OF TAX.~~**

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

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

16                   ~~(1) The person or combined group’s first \$1,000,000 of gross receipts attributable to~~  
17 ~~the City from Cannabis Business Activities shall be exempt from the Cannabis Business Tax.~~

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

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

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

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

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

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

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

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

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

24                   ~~(B) The \$1,000,000 exemption in Section 3003(b)(1) shall be applied first to~~  
25 ~~gross receipts attributable to the City from Cannabis Business Activities other than the Retail Sale of~~

~~Cannabis or Cannabis Products, with any remaining portion of the exemption then applied to gross receipts attributable to the City from the Retail Sale of Cannabis or Cannabis Products;~~

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

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

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

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

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

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



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            ~~//~~

22            ~~//~~

23            ~~//~~

24            ~~//~~

25            ~~//~~

Section 2. Article 6 of the Business and Tax Regulations Code is hereby amended by revising Sections 6.1-1, 6.2-12, 6.2-17, 6.8-1, 6.8-2, 6.9-1, 6.9-4, 6.11-2, 6.14-1, 6.15-1, 6.15-2, 6.17-1.1, and 6.25-1, to read as follows:

**SEC. 6.1-1. COMMON ADMINISTRATIVE PROVISIONS.**

(a) These common administrative provisions shall apply to Articles 6, 7, 8, 9, 10, 10B, 11, 12, 12-A-1, 21, 28, 29, 29A, ~~30~~-32, and 33 of this Code and to Chapter 105 of the Administrative Code, unless the specific language of either Code otherwise requires. Any provision of this Article 6 that references or applies to Article 10 shall be deemed to also reference or apply to Article 10B. Any provision of this Article 6 that references or applies to a tax shall be deemed to also reference or apply to a fee administered pursuant to this Article, and shall be deemed to also reference or apply to an assessment levied pursuant to the Property and Business Improvement District Law of 1994 (California Streets and Highways Code sections 36600 et seq.) or Article 15 of this Code. A fee administered pursuant to Article 6 or an assessment levied pursuant to the Property and Business Improvement District Law of 1994 or Article 15 of this Code shall for purposes of this Article be deemed to be imposed pursuant to the provisions of the Business and Tax Regulations Code.

\* \* \* \*

**SEC. 6.2-12. NEXUS: “ENGAGING IN BUSINESS WITHIN THE CITY.”**

The taxes imposed by Article 12-A-1 (Gross Receipts Tax Ordinance), Article 21 (Early Care and Education Commercial Rents Tax Ordinance), Article 28 (Homelessness Gross Receipts Tax Ordinance), ~~Article 30 (Cannabis Business Tax Ordinance)~~, Article 32 (Traffic Congestion Mitigation Tax Ordinance), and Article 33 (Overpaid Executive Gross Receipts Tax), and the registration fee imposed by Article 12 (Business Registration Ordinance) shall

1 apply to any person engaging in business within the City unless exempted therefrom under  
2 said Articles. A person is “engaging in business within the City,” within the meaning of this  
3 Article 6, if that person meets one or more of the following conditions:

4 \* \* \* \*

5  
6 **SEC. 6.2-17. RETURN.**

7 The term “return” means any written statement required to be filed under Articles 6, 7,  
8 8, 9, 10, 10B, 11, 12, 12-A-1 , 21, 28, 29, 29A, ~~30~~-32, or 33, or under laws applicable to a fee  
9 administered pursuant to Article 6, or under laws applicable to an assessment levied pursuant  
10 to the Property and Business Improvement District Law of 1994 (California Streets and  
11 Highways Code sections 36600 et seq.) or Article 15 of this Code.

12  
13 **SEC. 6.8-1. CITY, PUBLIC ENTITY, AND CONSTITUTIONAL EXEMPTIONS.**

14 (a) Nothing in Articles 6, 7, 8, 9, 10, 10B, 11, 12, 12-A-1, 21, 28, 29, 29A , ~~30~~-32, or 33  
15 shall be construed as imposing a tax upon:

16 \* \* \* \*

17  
18 **SEC. 6.8-2. CREDITS AND EXEMPTIONS; TAX DIFFERENCES.**

19 The credits, exemptions, and differences in tax treatment set forth in Articles 6, 7, 8, 9,  
20 10, 10B, 11, 12, 12-A-1, 12-C, 21, 28, 29, 29A, ~~30~~-32, and 33 of this Business and Tax  
21 Regulations Code, in laws applicable to fees administered pursuant to this Article 6, and in  
22 laws applicable to assessments levied pursuant to the Property and Business Improvement  
23 District Law of 1994 (California Streets and Highways Code sections 36600 et seq.) or  
24 Article 15 of this Code, are provided on the assumption that the City has the power to  
25 authorize such credits, exemptions, and differences in tax treatment. If a credit, exemption, or

1 difference in tax treatment is invalidated by a court of competent jurisdiction, the taxpayer  
2 must pay any additional amount that the taxpayer would have owed but for such invalid credit,  
3 exemption, or difference in tax treatment. Amounts owed as a result of the invalidation of a  
4 credit, exemption, or difference in tax treatment that are paid within three years after the  
5 decision of the court becomes final shall not be subject to interest or penalties.

6  
7 **SEC. 6.9-1. RETURNS AND PAYMENTS.**

8 \* \* \* \*

9 (c) **Gross Receipts Tax, Early Care and Education Commercial Rents Tax,**  
10 **Homelessness Gross Receipts Tax, ~~Cannabis Business Tax~~, and Overpaid Executive**  
11 **Gross Receipts Tax.**

12 (1) **Annual Due Date.** Except for any extensions granted under Section 6.9-4  
13 or as otherwise provided in this Business and Tax Regulations Code, returns and payments of  
14 the Gross Receipts Tax (Article 12-A-1) (including the tax on administrative office business  
15 activities imposed under Section 953.8 of Article 12-A-1), the Early Care and Education  
16 Commercial Rents Tax (Article 21), the Homelessness Gross Receipts Tax (Article 28)  
17 (including the homelessness administrative office tax imposed under Section 2804(d) or  
18 Section 2804.9 of Article 28), ~~the Cannabis Business Tax (Article 30)~~, and the Overpaid Executive  
19 Gross Receipts Tax (Article 33) (including the overpaid executive administrative office tax  
20 imposed under Section 3303(g) of Article 33) are due and payable, and shall be delinquent if  
21 not submitted and paid to the Tax Collector, on or before the last day of February of the  
22 succeeding year.

23 (2) **Small Business Exemption.** A person or combined group that qualifies for  
24 the small business exemption in Section 954.1 of Article 12-A-1 shall be exempt from filing a  
25 Gross Receipts Tax return, a Homelessness Gross Receipts Tax return, and an Overpaid

1 Executive Gross Receipts Tax return. Notwithstanding the preceding sentence, any person  
2 taking the Payroll Expense Tax Exclusion Credit in Section 960 of Article 12-A-1 must file a  
3 Gross Receipts Tax return, regardless of whether such person qualifies for the small business  
4 exemption from the Gross Receipts Tax. A person or combined group that qualifies for the  
5 small business exemption in Section 2106 of Article 21 shall be exempt from filing an Early  
6 Care and Education Commercial Rents Tax return, except that any person taking the credit for  
7 child care facilities in Section 2106.1 of Article 21 must file an Early Care and Education  
8 Commercial Rents Tax return, regardless of whether such person qualifies for the small  
9 business exemption from the Early Care and Education Commercial Rents Tax. This  
10 subsection (c)(2) shall not apply to persons or combined groups subject to taxes on  
11 administrative office business activities in Section 953.8 of Article 12-A-1, Sections 2804(d) or  
12 2804.9 of Article 28, or Section 3303(g) of Article 33.

13 (3) **Estimated Tax Payments.** Except as provided in Section 6.9-1(c)(3)(D)  
14 with respect to estimated tax payments of the Gross Receipts Tax, every person or combined  
15 group liable for payment of the Gross Receipts Tax (Article 12-A-1) (including the tax on  
16 administrative office business activities imposed under Section 953.8 of Article 12-A-1), the  
17 Early Care and Education Commercial Rents Tax (Article 21), the Homelessness Gross  
18 Receipts Tax (Article 28) (including the homelessness administrative office tax imposed under  
19 Section 2804(d) or Section 2804.9 of Article 28), ~~the Cannabis Business Tax (Article 30)~~, or the  
20 Overpaid Executive Gross Receipts Tax (Article 33) (including the overpaid executive  
21 administrative office tax imposed under Section 3303(g) of Article 33) shall make three  
22 estimated tax payments, in addition to the annual payments in Section 6.9-1(c)(1), as follows:

23 (A) **Due Dates.** The first, second, and third estimated tax payments for a  
24 tax year shall be due and payable, and shall be delinquent if not paid on or before, April 30,  
25 July 31, and October 31, respectively, of that tax year. Estimated tax payments shall be a

1 credit against the person or combined group's total annual liability, as applicable, for the  
2 Gross Receipts Tax (including the tax on administrative office business activities imposed  
3 under Section 953.8 of Article 12-A-1), Early Care and Education Commercial Rents Tax,  
4 Homelessness Gross Receipts Tax (including the homelessness administrative office tax  
5 imposed under Section 2804(d) or Section 2804.9 of Article 28), ~~Cannabis Business Tax~~, or  
6 Overpaid Executive Gross Receipts Tax (including the overpaid executive administrative  
7 office tax imposed under Section 3303(g) of Article 33), for the tax year in which such  
8 estimated tax payments are due.

9 (B) **Gross Receipts Tax Estimated Tax Payments.** A person or  
10 combined group's estimated tax payments of Gross Receipts Tax, including the tax on  
11 administrative office business activities imposed under Section 953.8 of Article 12-A-1, shall  
12 each equal the lesser of:

13 (i) 25% of the Gross Receipts Tax liability (including any liability  
14 for the tax on administrative office business activities imposed under Section 953.8 of  
15 Article 12-A-1) shown on the person or combined group's return for the tax year (or, if no  
16 return is filed, 25% of the person or combined group's actual Gross Receipts Tax liability for  
17 the tax year); or

18 (ii) 25% of the Gross Receipts Tax liability (including any liability  
19 for the tax on administrative office business activities imposed under Section 953.8 of  
20 Article 12-A-1) shown on the person or combined group's return for the preceding tax year. If  
21 the person or combined group did not file a return for the preceding tax year and timely  
22 requested an extension under Section 6.9-4 of this Article 6 to file that return, the person or  
23 combined group's Gross Receipts Tax liability (including any liability for the tax on  
24 administrative office business activities) for the preceding tax year for purposes of this  
25 subsection (c)(3)(B)(ii) shall be deemed to be the amount of any payment required under

1 Section 6.9-4 as a condition of such extension. If the person or combined group did not file a  
2 return for the preceding tax year and did not request an extension under Section 6.9-4 to file  
3 that return, the person or combined group shall owe no estimated tax payments of Gross  
4 Receipts Taxes (or estimated tax payments of the tax on administrative office business  
5 activities imposed under Section 953.8 of Article 12-A-1) for the current tax year. For  
6 purposes of this subsection (c)(3)(B)(ii), "taxable gross receipts" means a person or combined  
7 group's gross receipts, not excluded under Section 954 of Article 12-A-1, attributable to the  
8 City.

9 **(C) Estimated Tax Payments for Early Care and Education**

10 **Commercial Rents Tax, Homelessness Gross Receipts Tax, ~~Cannabis Business Tax~~, and**  
11 **Overpaid Executive Gross Receipts Tax.** A person or combined group's estimated tax  
12 payments of the Early Care and Education Commercial Rents Tax, Homelessness Gross  
13 Receipts Tax (including the homelessness administrative office tax imposed under  
14 Section 2804(d) or Section 2804.9 of Article 28), ~~Cannabis Business Tax~~, and Overpaid  
15 Executive Gross Receipts Tax (including the overpaid executive administrative office tax  
16 imposed under Section 3303(g) of Article 33), shall each equal the lesser of:

17 (i) 25% of the applicable tax liability shown on the person or  
18 combined group's return for the tax year (or, if no return is filed, 25% of the person or  
19 combined group's actual tax liability for the tax year); or

20 (ii) 25% of the applicable tax liability shown on the person or  
21 combined group's return for the preceding tax year. If the person or combined group did not  
22 file a return for the preceding tax year and timely requested an extension under Section 6.9-4  
23 of this Article 6 to file that return, the person or combined group's applicable tax liability for the  
24 preceding tax year for purposes of this subsection (c)(3)(C)(ii) shall be deemed to be the  
25 amount of any payment required under Section 6.9-4 as a condition of such extension. If the



1 person or combined group did not file a return for the preceding tax year and did not request  
2 an extension under Section 6.9-4 to file that return, the person or combined group shall be  
3 deemed to have filed a return showing no liability for purposes of this subsection (c)(3)(C)(ii),  
4 and no estimated tax payments of that tax shall be due for the current tax year.

5 \* \* \* \*

6  
7 **SEC. 6.9-4. EXTENSION OF TIME FOR FILING A RETURN AND PAYING TAX.**

8 \* \* \* \*

9 (b) The following shall apply to tax years and tax periods beginning on or after  
10 January 1, 2025, and registration years beginning on or after April 1, 2026:

11 (1) For good cause, the Tax Collector, in the Tax Collector's discretion, may  
12 extend, for a period not to exceed 60 days, the time for filing any return, other than returns for  
13 the Business Registration Fee (Article 12), Gross Receipts Tax (Article 12-A-1) (including the  
14 tax on administrative office business activities in Section 953.8 of Article 12-A-1),  
15 Homelessness Gross Receipts Tax (Article 28) (including the tax on administrative office  
16 business activities in Section 2804(d) or Section 2804.9 of Article 28), Early Care and  
17 Education Commercial Rents Tax (Article 21), Vacancy Tax (Article 29), Empty Homes Tax  
18 (Article 29A), ~~Cannabis Business Tax (Article 30)~~, or Overpaid Executive Gross Receipts Tax  
19 (Article 33) (including the tax on administrative office business activities in Section 3303(g)),  
20 pursuant to this Article 6 or regulations prescribed by the Tax Collector. For taxes required to  
21 be deposited monthly, or for the Sugary Drinks Distributor Tax (Article 8), the Tax Collector  
22 may only extend the time for filing a return for a period not to exceed 30 days. As a condition  
23 of the extensions under this subsection (b)(1), the person seeking the extension shall make a  
24 payment of not less than 100% of such person's liability for such period. Failure to make the  
25 required 100% payment will result in the automatic denial of the person's extension and the

1 person being subject to the standard due dates in this Article 6, including any penalties,  
2 interest, fees, and other consequences of failing to file and pay by those due dates.

3 (2) For returns of the Gross Receipts Tax (Article 12-A-1) (including the tax on  
4 administrative office business activities in Section 953.8 of Article 12-A-1), Early Care and  
5 Education Commercial Rents Tax (Article 21), Homelessness Gross Receipts Tax (Article 28)  
6 (including the tax on administrative office business activities in Section 2804(d) or  
7 Section 2804.9 of Article 28), ~~Cannabis Business Tax (Article 30)~~, or Overpaid Executive Gross  
8 Receipts Tax (Article 33) (including the tax on administrative office business activities in  
9 Section 3303(g)), persons may request from the Tax Collector an extension of time to file one  
10 or more such returns, which extension would extend the deadline to file such return to  
11 November 30 of the calendar year in which the return was originally due under Section 6.9-1  
12 of this Article 6. As a condition of such extension, the person seeking the extension shall, by  
13 the original due date under Section 6.9-1 for filing the return, for each tax type, request the  
14 extension and make the Required Payment, and, by the November 30 extended deadline, file  
15 the return. An extension for the Gross Receipts Tax (including the tax on administrative office  
16 business activities in Section 953.8 of Article 12-A-1) return shall also extend to November 30  
17 the deadline to pay any Business Registration Fee liability in excess of the Required Payment  
18 necessary for the extension.

19 (3) For purposes of this subsection (b), the "Required Payment" means:

20 \* \* \* \*

21 (B) For an extension of an Early Care and Education Commercial Rents  
22 Tax, Homelessness Gross Receipts Tax, ~~Cannabis Business Tax~~, or Overpaid Executive Gross  
23 Receipts Tax return, a payment of not less than 110% of such person's liability, prior to the  
24 application of any payments, for each tax type for which an extension is being requested, as  
25 reported on the later of:

1 (i) Such person's original return for the tax year immediately  
2 preceding the tax year for which the extension is being requested; or

3 (ii) Such person's amended return, filed on or before the due date  
4 for the extension request, for the tax year immediately preceding the tax year for which the  
5 extension is being requested.

6 \* \* \* \*

7 **SEC. 6.11-2. DEFICIENCY DETERMINATIONS; REVOCATION DETERMINATIONS;**  
8 **NOTICE AND SERVICE.**

9 (a) Upon making a determination pursuant to Section 6.11-1 or Section 6.11-1.1, as  
10 applicable, or upon making a determination pursuant to Section 6.6-1 that a certificate shall  
11 not be issued or to revoke a registration, the Tax Collector shall give to the taxpayer or other  
12 person affected written notice of the Tax Collector's determination. Except in the case of  
13 fraud, intent to evade the Business and Tax Regulations Code or rules and regulations issued  
14 by the Tax Collector, or failure to file a return, in all of which cases there is no statute of  
15 limitations, every notice of a deficiency determination shall be served within three years after  
16 the date that a return was due for a tax for the reporting period or three years after the return  
17 was actually filed for that reporting period, whichever is later. The taxpayer may agree in  
18 writing to extend said period for service of a notice of a deficiency determination. For  
19 purposes of serving a notice of a deficiency determination under this Section 6.11-2, the date  
20 that a return was due shall be:

21 (1) For tax years and tax periods ending on or before December 31, 2021, and  
22 registration years ending on or before June 30, 2023, the due date of the return without regard  
23 to any extensions under Section 6.9-4;

24 (2) For tax years and tax periods beginning on or after January 1, 2022, and  
25 registration years beginning on or after July 1, 2023 and ending on or before March 31, 2026,

except for the taxes for the years and periods subject to subsection (a)(3) of this Section 6.11-2, the due date of the return including any extensions; or

(3) For the Gross Receipts Tax (Article 12-A-1) (including the tax on administrative office business activities in Section 953.8 of Article 12-A-1), the Early Care and Education Commercial Rents Tax (Article 21), the Homelessness Gross Receipts Tax (Article 28) (including the tax on administrative office business activities in Section 2804(d) or Section 2804.9 of Article 28), ~~the Cannabis Business Tax (Article 30)~~, and the Overpaid Executive Gross Receipts Tax (Article 33) (including the tax on administrative office business activities in Section 3303(g)) for tax years beginning on or after January 1, 2025, and for the Business Registration Fee (Article 12) for registration years beginning on or after April 1, 2026, November 30 of the calendar year in which the return for such respective tax was originally due.

\* \* \* \*

#### **SEC. 6.14-1. VOLUNTARY DISCLOSURE PROGRAM; WAIVER OF TAX, PENALTIES, AND INTEREST.**

(a) The Tax Collector may, in the Tax Collector's discretion, waive taxes, penalties, and interest subject to the common administrative provisions in this Article 6 of the Business and Tax Regulations Code, under a Voluntary Disclosure Program that conforms with the requirements of this Section 6.14-1.

(b) The Voluntary Disclosure Program shall apply to applications filed on or after ~~April 20, 2025, the effective date of the ordinance in Board File No. 241150 enacting this Section 6.14-1~~ and on or before December 31, 2027.

(c) For purposes of this Section 6.14-1, a "Voluntary Disclosure Program" means a program offered by the Tax Collector that:

1 (1) Allows taxpayers that do not have a business registration certificate issued  
2 under Article 12 of the Business and Tax Regulations Code and that have not been previously  
3 contacted by the Tax Collector about unreported taxes or a failure to obtain a business  
4 registration certificate to voluntarily disclose their unreported back taxes to the Tax Collector.  
5 These taxpayers shall pay the taxes and interest as required in subsection (c)(2) in exchange  
6 for a waiver of the taxes, penalties, and/or interest, as applicable, under subsections (c)(3)  
7 and (c)(4);

8 (2) Requires those taxpayers to pay all applicable taxes and interest due and  
9 payable for the tax and registration years and tax periods within a lookback period consisting  
10 of:

11 (A) For taxes due and payable on an annual basis, the six tax or  
12 registration years immediately preceding the tax or registration year in which the voluntary  
13 disclosure application was made; or

14 (B) For taxes due and payable on other than an annual basis, the tax  
15 periods immediately preceding the tax period in which the voluntary disclosure application  
16 was made that in total comprise six years;

17 (3) With respect to the voluntarily disclosed tax liabilities for the tax and  
18 registration years and tax periods within the lookback period in subsection (c)(2), waives any  
19 penalties due and payable; and

20 (4) For the tax and registration years and tax periods prior to the lookback period  
21 in subsection (c)(2), waives taxes, penalties, and interest due and payable, but only with  
22 respect to the specific City taxes disclosed.

23 (d) The Tax Collector may impose procedural and other administrative requirements  
24 for a taxpayer to qualify for the waiver of the taxes, penalties, and/or interest, as applicable,  
25 under subsections (c)(3) and (c)(4) by publishing such requirements on the Tax Collector's

1 website. Failure to satisfy such requirements shall render a taxpayer ineligible for such  
2 waiver.

3  
4 **SEC. 6.15-1. REFUNDS.**

5 \* \* \* \*

6 **(g) Requests for Refund; Refunds Permissible Without a Claim.**

7 (1) The Tax Collector may authorize the Controller to refund tax, interest, or  
8 penalty payments, without a refund claim having been filed and without review by the City  
9 Attorney, if the Tax Collector determines that the amount paid exceeds the tax, penalties, and  
10 interest due.

11 (2) The person that made the overpayment may request such a refund from the  
12 Tax Collector on a return, amended return, or request for refund form that is issued by the Tax  
13 Collector and that is filed with the Tax Collector within the later of one year of:

14 (A) For tax years and tax periods ending on or before  
15 December 31, 2021, and registration years ending on or before June 30, 2023:

16 (i) the payment of such amount; or  
17 (ii) the date the return accompanying such payment was due,  
18 without regard to any extensions under Section 6.9-4.

19 (B) For tax years and tax periods beginning on or after January 1, 2022,  
20 and registration years beginning on or after July 1, 2023 and ending on or before  
21 March 31, 2026, except for requests for refund subject to subsection (g)(2)(C):

22 (i) the payment of such amount; or  
23 (ii) the date the return accompanying such payment was due,  
24 including any extensions.

1 (C) For requests for refund of the Gross Receipts Tax (Article 12-A-1)  
2 (including the tax on administrative office business activities in Section 953.8 of  
3 Article 12-A-1), the Early Care and Education Commercial Rents Tax (Article 21), the  
4 Homelessness Gross Receipts Tax (Article 28) (including the tax on administrative office  
5 business activities in Section 2804(d) or Section 2804.9 of Article 28), ~~the Cannabis Business~~  
6 ~~Tax (Article 30)~~, and the Overpaid Executive Gross Receipts Tax (Article 33) (including the tax  
7 on administrative office business activities in Section 3303(g)) for tax years beginning on or  
8 after January 1, 2025, and for requests for refund of the Business Registration Fee (Article 12)  
9 for registration years beginning on or after April 1, 2026:

- 10 (i) the payment of such amount; or  
11 (ii) November 30 of the calendar year in which the return for such  
12 respective tax was originally due.

13 (3) The Tax Collector may also authorize the Controller to refund the overpaid  
14 tax, interest, or penalty payments on its own initiative within the one-year period in  
15 subsection (g)(2).

16 (4) A refund requested on a return, amended return, or request for refund form  
17 under this subsection (g) shall automatically be deemed denied for purposes of  
18 subsections (a), (b), and (d) of this Section 6.15-1 if the Tax Collector does not grant or deny  
19 the refund request within one year of the date it was filed. The Tax Collector may not grant a  
20 request for refund after this one-year period, and any action by the Tax Collector after a  
21 refund request under this subsection (g) has been deemed denied shall not constitute a denial  
22 and shall have no effect on the statute of limitations for filing a claim for refund under  
23 subsections (a)-(f) and (h) of this Section 6.15-1.

24 (5) In lieu of requesting a refund on a return, amended return, or request for  
25 refund form, a taxpayer may elect to apply an overpayment of the business registration fee in

1 Article 12, the Gross Receipts Tax in Article 12-A-1 (including the tax on administrative office  
2 business activities under Section 953.8 of Article 12-A-1), the Sugary Drinks Distributor Tax in  
3 Article 8, the Early Care and Education Commercial Rents Tax in Article 21, the  
4 Homelessness Gross Receipts Tax in Article 28 (including the homelessness administrative  
5 office tax under Section 2804(d) of Article 28), ~~the Cannabis Business Tax in Article 30,~~ or the  
6 Overpaid Executive Gross Receipts Tax in Article 33 (including the tax on administrative office  
7 business activities under Section 3303(g)) as a credit against the taxpayer's immediately  
8 succeeding payment or payments due for tax years or periods ending on or before  
9 December 31, 2024, of the respective tax type, for up to one year. Any election to apply an  
10 overpayment to the taxpayer's future liability shall be binding and may not later be changed by  
11 the taxpayer.

12 (h) The date from which the deadline for filing a claim under subsection (a) of this  
13 Section 6.15-1 is determined and the date on which a claim shall be deemed to accrue under  
14 subsection (d) of this Section shall be the later of:

15 (1) For tax years and tax periods ending on or before December 31, 2021, and  
16 registration years ending on or before June 30, 2023:

17 (A) the payment of such amount;  
18 (B) the date the return accompanying such payment was due, without  
19 regard to any extensions under Section 6.9-4; or  
20 (C) the date on which such amount requested on a return, amended  
21 return, or request for refund timely filed under subsection (g) of this Section 6.15-1 was denied  
22 under that subsection (g).

23 (2) For tax years and tax periods beginning on or after January 1, 2022, and  
24 registration years beginning on or after July 1, 2023 and ending on or before March 31, 2026,  
25 except for claims for refund subject to subsection (h)(3):



1 (A) the payment of such amount;  
2 (B) the date the return accompanying such payment was due, including  
3 any extensions; or  
4 (C) the date on which such amount requested on a return, amended  
5 return, or request for refund timely filed under subsection (g) of this Section 6.15-1 was denied  
6 under that subsection (g).

7 (3) For claims for refund of the Gross Receipts Tax (Article 12-A-1) (including  
8 the tax on administrative office business activities in Section 953.8 of Article 12-A-1), the Early  
9 Care and Education Commercial Rents Tax (Article 21), the Homelessness Gross Receipts  
10 Tax (Article 28) (including the tax on administrative office business activities in  
11 Section 2804(d) or Section 2804.9 of Article 28), ~~the Cannabis Business Tax (Article 30)~~, and the  
12 Overpaid Executive Gross Receipts Tax (Article 33) (including the tax on administrative office  
13 business activities in Section 3303(g)) for tax years beginning on or after January 1, 2025,  
14 and for claims for refund of the Business Registration Fee (Article 12) for registration years  
15 beginning on or after April 1, 2026:

16 (A) the payment of such amount;  
17 (B) November 30 of the calendar year in which the return for such  
18 respective tax was originally due; or  
19 (C) the date on which such amount requested on a return, amended  
20 return, or request for refund timely filed under subsection (g) of this Section 6.15-1 was denied  
21 under that subsection (g).

22  
23 **SEC. 6.15-2. REFUNDS; INTEREST.**

24 (a) Any amounts refunded prior to entry of a final judgment in a judicial proceeding  
25 shall bear interest at the rate for prejudgment interest on refunds of local taxes or fees

1 provided by Section 3287(c) of the California Civil Code, as amended from time to time, and  
2 shall be computed from the date of payment to the date of refund.

3 (b) If the Controller offsets overpayments for a period or periods against another  
4 liability or liabilities currently owed to the City, or against penalties or interest on the other  
5 liability or liabilities currently owed to the City, the taxpayer will be credited with interest on the  
6 amount so applied at the rate of interest set forth above, computed from the date of payment.

7 (c) If a taxpayer elects to apply all or part of an overpayment of the business  
8 registration fee in Article 12, the Gross Receipts Tax in Article 12-A-1 (including the tax on  
9 administrative office business activities under Section 953.8 of Article 12-A-1), the Sugary  
10 Drinks Distributor Tax in Article 8, the Early Care and Education Commercial Rents Tax in  
11 Article 21, the Homelessness Gross Receipts Tax in Article 28 (including the homelessness  
12 administrative office tax under Section 2804(d) of Article 28), ~~the Cannabis Business Tax in~~  
13 ~~Article 30,~~ or the Overpaid Executive Gross Receipts Tax in Article 33 (including the tax on  
14 administrative office business activities in Section 3303(g)) as a credit against the taxpayer's  
15 immediately succeeding payment or payments due for tax years or periods ending on or  
16 before December 31, 2024, of the respective tax type, the taxpayer will not be credited with  
17 interest on the amount so applied.

#### 18 19 **SEC. 6.17-1.1. PENALTIES AND INTEREST FOR FAILURE TO PAY.**

20 (a) Any person who fails to pay, collect, or remit to the City any tax shown on a return  
21 or required to be shown on a return shall pay a penalty of 5% of the unpaid tax, if the failure is  
22 for not more than one month after the tax was due and unpaid, plus an additional 5% for each  
23 following month or fraction of a month during which such failure continues, up to 25% in the  
24 aggregate, until the date of payment.

1 (b) Any person who fails to pay, collect, or remit to the City any tax shown on a return  
2 or required to be shown on a return shall also pay interest on the unpaid tax at the rate of 1%  
3 per month, or fraction of a month, from the date the taxes were due and unpaid through the  
4 date the person pays in full the delinquent taxes, penalties, interest, and fees accrued to the  
5 date of payment.

6 (c) No penalties or interest imposed by this Section 6.17-1.1 shall apply to the failure  
7 to make any estimated tax payments of Gross Receipts Taxes, Early Care and Education  
8 Commercial Rents Taxes, Homelessness Gross Receipts Taxes, ~~Cannabis Business Taxes~~, or  
9 Overpaid Executive Gross Receipts Taxes under Section 6.9-1(c)(3).

10 (d) This Section 6.17-1.1 shall apply as follows:

11 (1) to all returns and payments for tax periods ending and taxable events  
12 occurring on or after January 1, 2021, except as provided in subsections (d)(2) and (d)(3) of  
13 this Section 6.17-1.1;

14 (2) to all returns and payments for registration years ending on or after  
15 July 1, 2021 with respect to the registration fee imposed under Section 855 of Article 12; and

16 (3) to all returns and payments for fiscal years ending on or after July 1, 2021  
17 with respect to fees, assessments, and other charges subject to this Article 6 that are imposed  
18 on a fiscal year basis.

19 (e) For purposes of this Section 6.17-1.1, for registration years beginning on or after  
20 April 1, 2026, if the deadline for a person or combined group to file its Gross Receipts Tax  
21 return was extended under Section 6.9-4(b)(2) of this Article 6, the date the Business  
22 Registration Fee (Article 12) originally due on the same date as that Gross Receipts Tax  
23 return was due shall be November 30.

1     **SEC. 6.25-1. ADVANCE DETERMINATIONS.**

2             Subject to annual appropriations to cover its costs that exceed any fees charged, by  
3     June 30, 2025, the Tax Collector shall establish a program to provide advance determinations  
4     to taxpayers for the Business Registration Fee (Article 12), the Gross Receipts Tax  
5     (Article 12-A-1), the Early Care and Education Commercial Rents Tax (Article 21), the  
6     Homelessness Gross Receipts Tax (Article 28), ~~the Cannabis Business Tax (Article 30)~~, and the  
7     Overpaid Executive Gross Receipts Tax (Article 33) (including any tax on administrative office  
8     business activities imposed under any of the foregoing) regarding: (a) the Business Activity  
9     Category for a particular business activity; (b) whether a person or combined group may use  
10    an alternative apportionment formula under Sections 957, 2108, 2807, ~~3007~~, and 3306; and  
11    (c) any other issues that the Tax Collector, in the Tax Collector’s sole discretion, deems  
12    appropriate. The Tax Collector shall have the sole discretion as to whether to issue an  
13    advance determination on any of (a) through (c) above to any particular request for an  
14    advance determination, and shall have sole discretion to determine the parameters of the  
15    program, but shall hold a public hearing and comment process to solicit feedback from  
16    taxpayers prior to establishing the program. The Tax Collector may charge a fee for requests  
17    for advance determinations to cover some or all of its costs of issuing such determinations.

Section 3. Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

APPROVED AS TO FORM:  
DAVID CHIU, City Attorney

By: /s/  
KERNE H. O. MATSUBARA  
Deputy City Attorney

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**LEGISLATIVE DIGEST**

[Business and Tax Regulations Code - Cannabis Business Tax Repeal]

**Ordinance amending the Business and Tax Regulations Code to repeal the cannabis business tax beginning on January 1, 2026, and remove references to the cannabis business tax from the common administrative provisions of the Code.**

**Existing Law**

At the November 2018 election, San Francisco voters approved the cannabis business tax, to be effective on January 1, 2021. The Board of Supervisors suspended imposition of the cannabis business tax since its inception through December 31, 2025.

**Amendments to Current Law**

Effective January 1, 2026, this ordinance would repeal the cannabis business tax and amend the common tax administrative provisions by removing references to the cannabis business tax.

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**Item 13**  
**File 25-0929**

**Department:**  
Treasurer-Tax Collector

## **EXECUTIVE SUMMARY**

### **Legislative Objectives**

- The proposed ordinance would repeal the cannabis business tax that is scheduled to take effect on January 1, 2026. It would also remove all related language from the Business and Tax Regulations Code by deleting Article 30.

### **Key Points**

- Although recreational cannabis has been legal in California since 2018, the illicit market continues to account for the majority of cannabis supply statewide.
- San Francisco's total taxable cannabis sales fell by more than 25 percent from \$261 million in 2021 to \$191 million in 2024. The same trend persists statewide, with total taxable sales declining from about \$5.8 billion to \$4.9 billion in the same period, despite an increase in unit sales across product categories. According to a 2024 report prepared for the California Department of Cannabis Control, this trend is primarily driven by falling retail prices associated with the expansion of the licensed market.
- The Board of Supervisors suspended imposition of the Cannabis Business Tax through December 2025. In January 2026, cannabis businesses currently operating in San Francisco must pay an annual tax on cannabis gross receipts from one to five percent, with an exemption for the first \$1 million of gross receipts and receipts from the retail sale of medical cannabis.

### **Fiscal Impact**

- Repealing the Cannabis Business Tax would result in foregone General Fund revenues currently projected at approximately \$24.8 million over a four-year period, from FY 2026–27 through FY 2029–30. Annual revenue losses are estimated at \$3.7 million in FY 2026–27, \$8.7 million in FY 2027–28, and \$6.2 million in both FY 2028–29 and FY 2029–30.

### **Policy Consideration**

- Lower cannabis retail prices have reduced sales revenue for licensed cannabis retailers while their overhead (such as staffing and leased space) have not declined. Without a local tax, the effective tax rate on cannabis retail sales (from the State excise tax and sales tax) in San Francisco is 25 percent, and cannabis retailers must also pay the City's Gross Receipts Tax of 0.1 to 1.0 percent. Repealing the Cannabis Business Tax would prevent an increase in the combined state and local tax burden on licensed cannabis retailers, which may support the competitiveness of the regulated market relative to the illicit market.

### **Recommendation**

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

## 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 2016, California voters approved the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), legalizing and regulating recreational cannabis for adults 21 and over in California. The 2017 Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) established a framework for oversight, licensing, and enforcement for cannabis businesses. Retail sales under this regime began on January 1, 2018.

### Market Trends

According to the California Cannabis Market Outlook 2024 Report prepared by ERA Economics, LLC for the California Department of Cannabis Control (2024 ERA Economics Report), falling prices have reduced total taxable cannabis sales revenue despite rising unit sales. As Exhibit 1 shows, total taxable sales in the state fell from about \$5.8 billion in 2021 to \$4.9 billion in 2024, a decline of 15 percent. Simultaneously, unit sales increased across product categories, as seen in Appendix B.

Meanwhile, San Francisco's licensed market has mirrored statewide patterns with taxable sales declining, as visualized in Appendix C. Total taxable sales grew steadily through 2021 but have since fallen by more than 25 percent from \$261 million in 2021 to \$191 million in 2024.

#### Exhibit 1: Total Taxable Sales<sup>1</sup> (2018-2024)

Year	California	California % Change	San Francisco	San Francisco % Change
2018	\$1,982,158,726		\$180,136,649	
2019	2,805,025,867	42%	253,301,196	41%
2020	4,705,861,541	68%	259,957,380	3%
2021	5,777,356,812	23%	260,640,428	0%
2022	5,395,046,745	-7%	232,806,193	-11%
2023	5,188,399,664	-4%	216,067,560	-7%
2024	4,882,747,025	-6%	191,198,708	-12%
<b>3-Year Change (2021-2024)</b>	<b>-894,609,787</b>	<b>-15%</b>	<b>-69,441,720</b>	<b>-27%</b>

Source: California Department of Tax and Fee Administration

<sup>1</sup> CDTFE Total Taxable Sales includes sales of non-cannabis merchandise (e.g. pipes, rolling papers) and retail sales of medical cannabis

Wholesale and retail cannabis prices in California declined since 2020 due to the expansion of the licensed market. Between Q1 2020 and Q2 2024, the weighted average retail price of four leading product categories fell 36 percent, from \$31.12 to \$20.05 per unit, as shown in Appendix



A. Licensed cannabis production in California continued to rise through 2024, increasing supply and contributing to lower prices.

Although the licensed market has steadily expanded, with its share of statewide consumption rising from roughly 25 percent in 2019 to about 38 percent in 2024, unlicensed production still represents most of the supply. Ongoing activity in illicit markets continues to exert downward pressure on prices across states, which have experienced similar declines in wholesale prices, as shown in Appendix B.

### State Tax Regime

California's cannabis tax system, administered by the California Department of Tax and Fee Administration (CDTFA), has shifted significantly since 2018, as shown in Exhibit 2 below.

In 2018, the State assessed both an excise tax on retail sales and a cultivation tax on harvested cannabis. The cultivation tax, which applied at different rates to flowers, leaves, and fresh plant material, was eliminated by AB 195 effective July 1, 2022. Although removing this tax lowered wholesale prices, the legislation simultaneously increased the excise tax to offset the lost revenue. Effective July 1, 2025, the excise tax rose from 15 percent of gross receipts to 19 percent of gross receipts, although AB 564 will temporarily reduce it back to 15 percent from October 1, 2025 through June 30, 2028.

### Exhibit 2: California State Excise and Cultivation Taxes 2018-2025

Effective Date	State Excise Tax (Tax Rate x Base x Markup Rate <sup>1</sup> )	State Cultivation Tax per lb. (Flower / Leaves / Fresh Plant)
Jan 1, 2018	15% x Average Market Price x 1.6	\$9.25 / \$2.75 / \$1.29
Jan 1, 2020	15% x Average Market Price x 1.8	\$9.65 / \$2.87 / \$1.35
Jan 1, 2022	15% x Average Market Price x 1.8	\$10.08 / \$3.00 / \$1.41
Jul 1, 2022	15% x Average Market Price x 1.75	N/A
Jan 1, 2023	15% x Retailer's Gross Receipts	N/A
Jul 1, 2025	19% x Retailer's Gross Receipts	N/A
Oct 1, 2025	15% x Retailer's Gross Receipts	N/A

Source: CDTFA

<sup>1</sup> From 2018 through 2022, the excise tax was 15 percent of the average market price, defined as the wholesale cost for each product plus a mandatory state-determined markup. AB 195 eliminated the markup and applied the 15 percent excise tax directly to retailers' gross receipts rather than the average market price per unit, levied on the total amount including local taxes and fees.

The current excise tax is applied to retailers' gross receipts, including local cannabis taxes. Sales tax is assessed on the total amount, including the excise tax, creating a compounding effect of taxes on taxes. For example, a local tax on cannabis of five percent, the state excise tax of 15 percent, and a sales tax rate of 8.625 percent, results in an effective tax rate of approximately 31 percent on retail cannabis sales.

### San Francisco Tax Regime

San Francisco local taxes have been approved but have not yet come into effect. In 2018, San Francisco voters approved Proposition D, the Cannabis Business Tax, which applies to activities directly related to cannabis or cannabis products including cultivation, possession, manufacture, processing, storing, labeling, distribution, or sale for consideration, including businesses that do not have a physical presence in the city. It establishes an annual tax on gross receipts from 1 to 5 percent, with an exemption for the first \$1 million of gross receipts and receipts from the retail sale of medical cannabis. Exhibit 3 summarizes the Cannabis Business Tax Rates.

#### Exhibit 3: San Francisco Cannabis Business Tax Rates

Cannabis Business Activity	\$0 to \$1M	\$1M to \$1.5M	Over \$1.5M
Medicinal Sales	exempt	exempt	exempt
Retail Sales	exempt	2.5%	5.0%
All Other Cannabis Sales	exempt	1.0%	1.5%

Source: Treasurer and Tax Collector

<sup>1</sup>Tax currently suspended through 2025

Although originally approved to take effect on January 1, 2021, the Board of Supervisors suspended imposition of the Cannabis Business Tax through December 2025 (Files 20-0357, 21-1150, and 22-1070). As a result, cannabis businesses currently operating in San Francisco will become subject to the Cannabis Business Tax on January 1, 2026 and the first collection of cash and recognition of revenue will occur in FY 2026-27.

#### DETAILS OF PROPOSED LEGISLATION

The proposed ordinance amends the Business and Tax Regulations Code to repeal the Cannabis Business Tax beginning on January 1, 2026, and remove references to the tax from the common administrative provisions of the Code. The proposed ordinance deletes Article 30 (Cannabis Business Tax) of the Business and Tax Regulations Code in its entirety.

#### FISCAL IMPACT

According to the March 2025 Budget Outlook Update, Cannabis tax revenues are projected to be around \$6.2 million per year, which translates to estimated fiscal year collections of \$3.7 million per year in FY 2026-27, \$8.7 million in FY 2027-28, and \$6.2 million in both FY 2028-29 and FY 2029-30. Therefore, the total foregone revenue through FY 2029-30 is projected to be \$24.8 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.

### **POLICY CONSIDERATION**

Lower cannabis retail prices have reduced sales revenue for licensed cannabis retailers while their overhead (such as staffing and leased space) have not declined. Without a local tax, the effective tax rate on cannabis retail sales (from the State excise tax and sales tax) in San Francisco is 25 percent. Imposing a local tax rate of five percent would result in an effective tax rate of approximately 31 percent for cannabis business customers. Cannabis retailers must also pay the City's Gross Receipts Tax of 0.1 to 1 percent of gross receipts under Proposition M (2024). Cannabis sellers in the illicit market do not pay any taxes and can sell cannabis products at lower prices compared to licensed sellers.

Repealing the Cannabis Business Tax would prevent an increase in the combined state and local tax burden on licensed cannabis retailers, which may support the regulated market's price competitiveness and operating margins. By preventing an increase in the cost of legal purchases, the repeal could help licensed transactions remain more attractive to consumers relative to the illicit market. Lower legal cannabis prices may also lead to an overall increase in cannabis consumption.

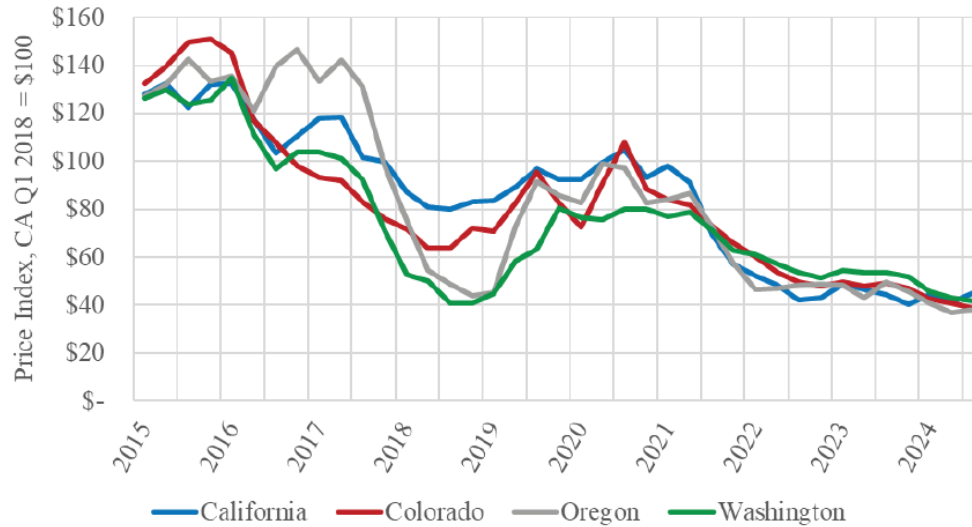
The proposed ordinance does not make any changes to the City's regulations regarding cannabis businesses, such as land use restrictions, required permits, and the pause on new retail permits through December 2027 (File 20-0144). Loosening these restrictions may also help expand the legal cannabis market in San Francisco, though doing so may also reduce the financial feasibility of existing cannabis businesses.

### **RECOMMENDATION**

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

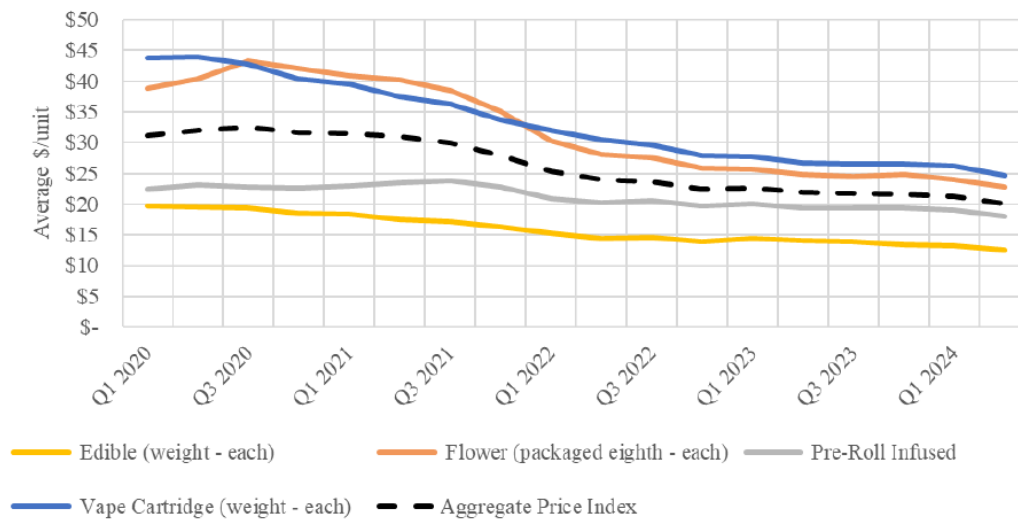
### APPENDIX A: Statewide Wholesale and Retail Cannabis Prices Declining

**Figure 10. Quarterly Wholesale Price Index (2018 = \$100) by State, 2015–2024**

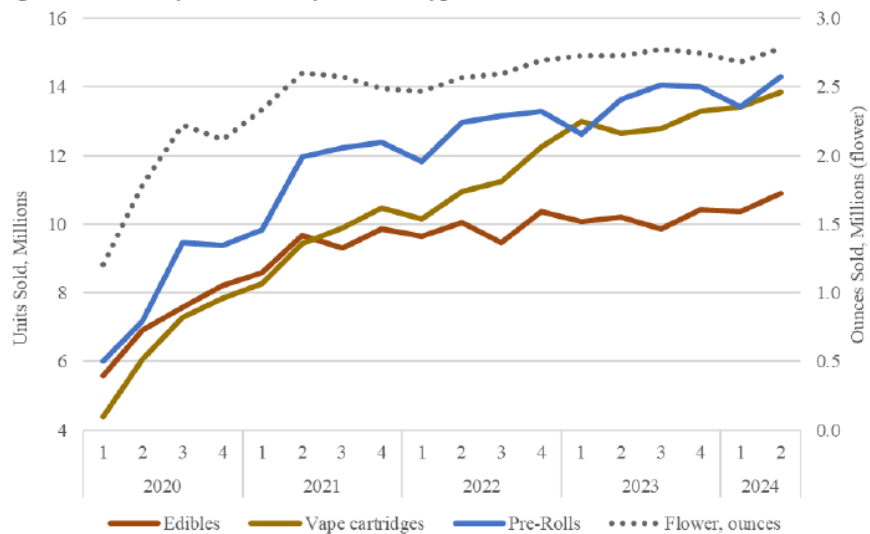


Note: Prices are inflation-adjusted and indexed with average prices in 2018 = \$100; using Cannabis Benchmarks, CCTT data, and local wholesale price data.

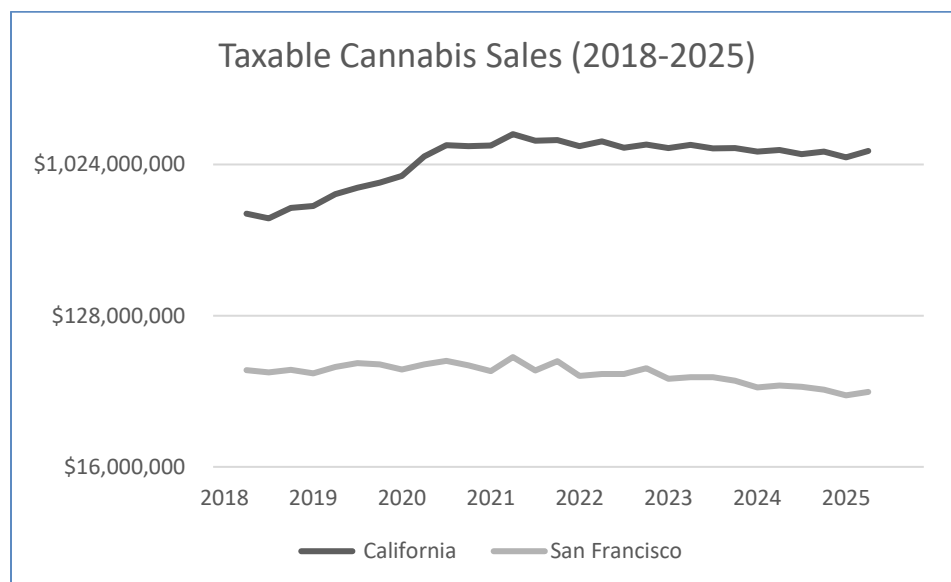
**Figure 11. Quarterly Retail Cannabis Prices**



Source: California Cannabis Market Outlook 2024 Report

**APPENDIX B: Quarterly Units Sold by Product Type and Ounce Sold of Flower in California****Figure 8. Quarterly Units Sold by Product Type and Ounces Sold of Flower**

Source: California Cannabis Market Outlook 2024 Report

**APPENDIX C: Taxable Cannabis Sales in California and San Francisco 2018-2025**

Source: California Department of Tax and Fee Administration

**From:** [Bram Goodwin](#)  
**To:** [ChanStaff \(BOS\)](#); [DorseyStaff \(BOS\)](#)  
**Cc:** [Jalipa, Brent \(BOS\)](#); [MandelmanStaff \(BOS\)](#); [David C. Goldman](#)  
**Subject:** I am writing in support of ordinance #250929, the repeal of the Prop D Cannabis Tax, asking for the Budget Committees' Support  
**Date:** Tuesday, October 7, 2025 7:42:24 AM

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

Supervisors Chan, Dorsey, SF BOS Budget & Finance Committee,

Good Morning.

I am writing in support of ordinance #250929, the repeal of the Prop D Cannabis Tax, asking for the Budget Committees' Support, to vote Yes at your October 29 meeting, pass it on to the full SF Board of Supervisors.

Representatives of the SF Cannabis Community, including members of the SF Brownie Mary Democratic Club, will be in attendance on October 29, asking for your support for ordinance #250929, introduced to the SF Board of Supervisors by Supervisor Mandelman, to permanently repeal the Proposition D local cannabis tax.

As we have communicated to the SF Board of Supervisors, Cannabis retail sales have declined over the last few years, due in part to the price difference between "Legal Cannabis Sales", with its high operating costs & taxes and the "traditional" unregulated market that is estimated to get 2/3 of Total SF Cannabis Sales.

Since 2018, SF retail store fronts have doubled, with the sales of many of the original "Medical Stores" contracting, new stores not meeting their projections.

The last thing that SF Cannabis Consumers & Cannabis businesses need is an additional tax on top of the almost 30% tax that we already pay.

Many San Francisco residents are Cannabis Medical patients, who rely on Cannabis for pain relief, to help with many ailments including depression & cancer. They need their cannabis medicine to be reasonably priced, but given taxes, other regulations, many patients, due without or buy from the illicit market due to the high retail price of legal cannabis.

Given this situation, we need the city of San Francisco's help in creating an environment where these retail stores can continue to service the many SF medical cannabis patients, who need their medicine, as well as providing an

alternative space for many SF residents, who prefer cannabis as a healthier substance over items such as alcohol.

SF Elected Officials have emphasized in the recovery from the pandemic, the importance of supporting small businesses, calling them the backbone of our economy. You have created programs to support them. We in the SF Cannabis Community would like to be included in those plans.

San Francisco is known world wide for cannabis, as California produces what is considered the best cannabis of any place in the world.

The SF Board of Supervisors has historically played an important role in giving SF Cannabis Medical patients access to their Cannabis, being the first to authorize legal sales during the 1990's HIV crisis.

Please vote YES at the Budget Committee on October 29, pass it on the full SF Board of Supervisors with a VOTE YES recommendation.

See you on Wednesday October 29.

bram

Bram Goodwin  
photographer  
Media Director, SF Brownie Mary Democratic Club, @bmsf415  
San Francisco Social Club, @sfsc415  
415.505.3686  
Bluesky: @bramgoodwin  
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September 29, 2025

San Francisco Board of Supervisors  
Budget & Finance Committee  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**Support for File #250929 – Cannabis Business Tax Repeal | Sponsored by Supervisors Mandelman, Dorsey, Sauter & Mahmood**

Dear Budget & Finance Committee Members,

On behalf of The Green Cross, a proud San Francisco-based cannabis dispensary operating in good standing for over two decades, we write in strong support of File #250929 and urge the Committee to move this legislation forward with a “Do Pass” recommendation—without further delay.

**This Tax Has Never Been Implemented. It’s Time for a Clean Repeal.**

The Cannabis Business Tax has remained on the books for years without ever taking effect. Instead, policymakers have continuously “delayed” its implementation—an acknowledgment that the tax is unworkable in practice. Let’s be clear: delaying is not a solution. Full repeal is long overdue and is the cleanest path forward.

**A Turning Point for San Francisco’s Legal Cannabis Market**

The legal cannabis industry in San Francisco is facing a now-or-never moment. Even with the passage of AB 564, which will lower the State’s excise tax, layering on a local tax will cripple licensed operators. Continued uncertainty from rolling delays makes it impossible for businesses like ours to plan, invest, or retain staff. The result? More closures, more lost jobs, and more market share shifting back to unregulated sellers.

**Public Safety, Consumer Health, and Market Stability**

Keeping prices competitive is not just an economic issue—it’s a public safety issue. High taxes widen the price gap between licensed and unlicensed sellers, pushing consumers away from tested, regulated products and back toward the illicit market. Repeal helps stabilize the industry, protect consumers, and increase participation in the legal system.





### **Equity, Jobs, and Local Economic Impact**

This repeal is not about creating a windfall for large corporations—it's about survival for small businesses, equity operators, unionized workers, and hourly employees. Every dispensary that closes eliminates stable jobs and disrupts access to safe products. The City should be doing everything possible to preserve what's left of its legal cannabis ecosystem.

### **Revenue Reality**

This tax has never generated a single dollar in revenue for the City—because it has never been implemented. Repeal carries no fiscal downside. On the contrary, it will help preserve existing revenue from sales tax, payroll tax, and business registration fees.

### **Certainty for 2026 and Beyond**

By setting an effective repeal date of January 1, 2026, the City can plan cleanly for the new tax year while giving cannabis businesses immediate clarity to adjust pricing, stabilize operations, and retain jobs.

### **Our Commitment**

Since opening our storefront in the Excelsior District in 2013, *The Green Cross* has contributed over \$650,000 to local nonprofits, upheld the highest standards of compliance, and remained committed to San Francisco's values of equity, compassion, and community service. We want to continue that legacy—but we need a viable and stable environment in which to operate.

We urgently call on you to support File #250929 and issue a "Do Pass" recommendation to the full Board of Supervisors without further delay.

If you have any questions, concerns, or would like to discuss this further, please feel free to reach out to me directly at [kevinreed@thegreencross.org](mailto:kevinreed@thegreencross.org) or (415) 846-7671.

Sincerely,

Kevin Reed  
Founder & President  
The Green Cross

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: José Cisneros, Treasurer, Office of the Treasurer and Tax Collector  
Greg Wagner, City Controller, Office of the Controller  
Adam Thongsavat, Liaison to the Board of Supervisors, Mayor's Office

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

DATE: September 15, 2025

SUBJECT: LEGISLATION INTRODUCED

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

**File No. 250929**

**Ordinance amending the Business and Tax Regulations Code to repeal the cannabis business tax beginning on January 1, 2026, and remove references to the cannabis business tax from the common administrative provisions of the Code.**

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  
ChiaYu Ma, Office of the Controller  
Ayesha Hossain, Office of the Controller

BOARD of SUPERVISORS



City Hall  
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: 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 15, 2025

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 Rafael Mandelman on September 9, 2025, which is being referred to the Small Business Commission for comment and recommendation.

**File No. 250929**

**Ordinance amending the Business and Tax Regulations Code to repeal the cannabis business tax beginning on January 1, 2026, and remove references to the cannabis business tax from the common administrative provisions of the Code.**

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:** \_\_\_\_\_

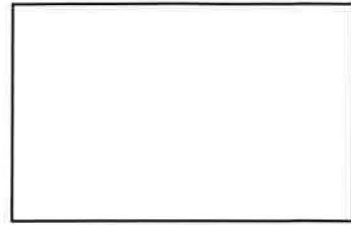
\_\_\_\_\_ **No Comment**

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

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

## Introduction Form

(by a Member of the Board of Supervisors or the Mayor)



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

- ☒ 1. For reference to Committee (Ordinance, Resolution, Motion or Charter Amendment)
- ☐ 2. Request for next printed agenda (For Adoption Without Committee Reference)  
(Routine, non-controversial and/or commendatory matters only)
- ☐ 3. Request for Hearing on a subject matter at Committee
- ☐ 4. Request for Letter beginning with "Supervisor \_\_\_\_\_ inquires..."
- ☐ 5. City Attorney Request
- ☐ 6. Call File No. \_\_\_\_\_ from Committee.
- ☐ 7. Budget and Legislative Analyst Request (attached written Motion)
- ☐ 8. Substitute Legislation File No. \_\_\_\_\_
- ☐ 9. Reactivate File No. \_\_\_\_\_
- ☐ 10. Topic submitted for Mayoral Appearance before the Board on \_\_\_\_\_

The proposed legislation should be forwarded to the following (please check all appropriate boxes):

- ☐ Small Business Commission    ☐ Youth Commission    ☐ Ethics Commission
- ☐ Planning Commission    ☐ Building Inspection Commission    ☐ Human Resources Department

General Plan Referral sent to the Planning Department (proposed legislation subject to Charter 4.105 & Admin 2A.53):

- ☐ Yes    ☒ No

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

Sponsor(s):

Mandelman, Dorsey, Sauter, Mahmood

Subject:

Business and Tax Regulations Code - Cannabis Business Tax Repeal

Long Title or text listed:

Ordinance amending the Business and Tax Regulations Code to repeal the cannabis business tax beginning on January 1, 2026, and make conforming and non-substantive changes to the provisions administering the cannabis business tax and other taxes.

Signature of Sponsoring Supervisor: