



California State Treasurer Fiona Ma

News Release

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Treasurer Fiona Ma and Assemblymember Rob Bonta Seek Temporary Cannabis Tax Reduction

"California aims to stimulate a safe and regulated cannabis industry"

SACRAMENTO – State Treasurer Fiona Ma, CPA and Assemblymember Rob Bonta (D – Alameda) announced today that their Temporary Cannabis Tax Reduction bill is one step closer to becoming a reality as Assembly Bill 286 (AB 286) was introduced in the State Capitol. The bill would temporarily reduce California’s cannabis excise tax from 15 percent to 11 percent and suspend the cultivation tax altogether through 2022.

“We are helping legal Cannabis businesses with their transition into the marketplace, just like we would for any startup industry,” Ma said. AB 286 is authored by Assemblymember Bonta and sponsored by Treasurer Ma.

California’s tax revenue projections for cannabis were low in 2018. The first six months yielded \$101 million below what earlier forecasts predicted, largely due to the exorbitant taxes placed on the industry coupled with very limited access to banking.

AB 286 is meant to stimulate the legal cannabis industry in California by creating a more equitable climate for the compliant businesses to compete with the growing grey market. Another problem is that the black market still exists, making it difficult for compliant cannabis entities to compete with the illicit actors who do not pay the same taxes.

“The black market continues to undercut businesses that are complying with state regulations and doing things the right way,” said Bonta. “AB 286 will temporarily reduce the tax burden on these licensed operators to keep customers at licensed businesses and help ensure the regulated market survives and thrives. This very strategy has been shown to actually increase overall tax revenue in other states.”

It is estimated that the cannabis taxes can generate \$8 to \$20 billion in annual revenue for California, but cannabis businesses face significant barriers to legal entry due to the 15 percent tax rate imposed by Proposition 64, which was passed in November 2016. While the

goal of Proposition 64 was to generate tax revenue and eliminate the illicit market, excessive taxation is a disincentive to cannabis operators and severely hinders California's ability to establish a regulated market.

The current taxes imposed on cannabis include a state excise tax of 15 percent, a state cultivation tax of \$9.25 per ounce of cannabis flower, and traditional state and local taxes. In sum, cannabis businesses could accrue tax rates upwards of 45 percent – significantly higher cumulative rates than other businesses operating in California have to pay.

You can follow AB 286 as it makes its way through the Legislature at <http://leginfo.legislature.ca.gov/>

To view Facebook live video of today's news conference visit <https://www.facebook.com/CaliforniaSTO/videos/2322182941347066/>

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