MEDIA RELEASE

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LA County Board of Supervisors Approves Cannabis Tax Measure for November Election

Voters to Decide on Cannabis Business Tax to Help Establish a Responsible Cannabis Market in Unincorporated LA County

LOS ANGELES – On Tuesday, the County of Los Angeles Board of Supervisors approved a resolution placing the Cannabis Tax Measure on the November 8, 2022 election ballot for approval by voters. The measure's passage would allow the County to tax cannabis businesses in the unincorporated areas of LA County. Revenues produced by this general tax will be directed to the County's General Fund and through the budget process may be utilized on a broad array of programs and initiatives to further support economic and workforce development in the County, such as the **Cannabis Equity Program** through the Los Angeles County Office of Cannabis Management (OCM).

In February 2022, OCM, within the Department of Consumer and Business Affairs, was directed by the Board to start the development and implementation of an equitable commercial cannabis licensing program in the unincorporated areas of Los Angeles County. OCM's recommended regulatory framework includes building a robust Cannabis Equity Program. The program will provide access to resources such as initial priority licensing, business development and technical assistance, pro bono legal assistance, access to capital, and other potential pathways to jobs, entrepreneurship, and ancillary economic opportunities within and outside of the cannabis industry. This program will help address the administrative barriers that create inequitable outcomes and calls for investments to bridge the gaps in educational, technical, and financial resources caused by systemic racism and exacerbated by the War on Drugs.

If the measure is approved by voters, cannabis businesses would be taxed at the following rates starting July 2023:

    Retail: 4% of gross receipts
    Manufacturing: 3% of gross receipts
    Distribution: 3% of gross receipts

Testing: 1% of gross receipts
Cultivation: $7/sf of canopy (indoor artificial light)
$4/sf of canopy (mixed light)
$4/sf of canopy (outdoor)[1]
$2/sf of canopy space (nursery)
Any other type of Cannabis Business: 4% of gross receipts

These are some of the lowest rates in the State, and they are designed to better promote the viability of the legal cannabis businesses.

In addition, OCM recognizes the fast-changing nature of the cannabis regulatory and industry landscape, and the need for County to adjust the tax rates to respond to a maturing, competitive and viable legal cannabis market in Los Angeles County. Accordingly, the proposed measure allows the Board to decrease or increase the tax rates up to the following maximum tax rates on cannabis businesses in the unincorporated areas of Los Angeles County after July 1, 2026:

Retail: 6% of gross receipts
Manufacturing: 4% of gross receipts
Distribution: 3% of gross receipts
Testing: 2% of gross receipts
Cultivation[2]: $10/sf of canopy (indoor artificial light)
$7/sf of canopy (mixed light)
$4/sf of canopy (outdoor)
$2/sf of canopy space (nursery)
Any other type of Cannabis Business: 4% of gross receipts

"The Office of Cannabis Management stands ready to fully implement a new program that will create a more responsible and sustainable cannabis market in Los Angeles County," said DCBA Director Rafael Carbajal. "Building a fair and effective regulatory cannabis program requires a multifaceted approach and we are eager to hear the community's voice through their vote as they help determine the potential scope of an equitable cannabis program in their communities."

OCM is currently working with other agencies and stakeholders to launch their permitting program in 2023. For updates on this process, visit cannabis.lacounty.gov. Until LA County fully develops and launches its cannabis licensing program, all commercial

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[1] LA County will not be permitting outdoor cultivation during its initial launch of cannabis business permits per its December 2021 report. However, should the Board of Supervisors move to permit outdoor cultivation at a later time, the appropriate rates will apply.
[2] Tax rates on cultivation will be annually indexed to inflation starting in 2026.

cannabis activities, including retail, delivery, manufacturing, and cultivation, remain prohibited in unincorporated LA County.

For more information about the Office of Cannabis Management, including updates on upcoming public and stakeholder engagement meetings and a list of retailers that participate in LA County's Cannabis Compliance and Enforcement Program, visit cannabis.lacounty.gov.

Since 1975, the County of Los Angeles Department of Consumer and Business Affairs (DCBA) has been the local consumer protection agency serving County consumers, tenants, homeowners, immigrants, and workers. DCBA provides a wide range of services that aim to foster a fair and dynamic marketplace and enhance the economic wellbeing of our communities. This includes investigating consumer fraud complaints, enforcing the County's tenant and worker protections, and providing access to justice programs. More information can be found at dcba.lacounty.gov or by calling (800) 593-8222.

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