
SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair

2021 - 2022 Regular

Bill No:	AB 195	Hearing Date:	June 27, 2022
Author:	Committee on Budget		
Version:	June 26, 2022 As amended		
Urgency:	No	Fiscal:	No
Consultant:	Yong Salas		

Subject: Cannabis

Summary: This bill contains the necessary changes to implement provisions included in the Budget Act of 2022, which includes cannabis tax reform, relief for equity operators, and additional enforcement tools against the unlicensed cannabis market.

Proposed Law: Specifically, this bill:

- 1) Suspends the state's cannabis cultivation tax. Maintains a 15 percent cannabis excise tax, as required by Proposition 64, until June 30, 2025. Moves collection of the excise tax from the distributor to the point-of-sale.
- 2) Requires, by July 1, 2025, the California Department of Tax and Fee Administration (CDTFA) to adjust the excise tax every two years by a rate that would generate an amount of revenue equivalent to what would have been collected from the cultivation tax.
- 3) Sets the baseline of new cannabis tax revenue for Allocation 3 entities (these entities use cannabis revenues to operate youth programs related to substance use education, prevention, and treatment, environmental programs, and law enforcement) at \$670 million in 2022-23, 2023-24, and 2024-25, which can be satisfied with tax revenues, or General Fund backfill if needed. The budget sets aside \$150 million General Fund to backfill any lost revenue.
- 4) Requires an economic report on the status of the cannabis industry by January 1, 2025.
- 5) Allows equity retailers who have received an equity fee waiver from the Department of Cannabis Control to retain 20% of the excise tax they collect.
- 6) Allows high-road cannabis employers to claim tax credits of up to \$250,000 beginning in the 2023 taxable year, for a program total of \$20 million.
- 7) Allows cannabis equity operators to claim tax credits of up to \$10,000 beginning in the 2023 taxable year, for a program total of \$20 million.
- 8) Requires cannabis businesses to enter into labor peace agreements with its employees with additional enforcement tools, and lowers the threshold of applicable businesses from 20 employees to 10 employees beginning in 2024.

- 9) Authorizes CDTFA to revoke an operator's tax permit if they fail to comply with the cannabis tax provisions. Would make illicit cannabis operators liable for the cultivation and excise tax they would have had to pay if they were operating in the legal market.
- 10) Allows state and local governments to impose civil penalties on individuals who knowingly rent, lease, or make available commercial properties to facilitate unlicensed cannabis operations
- 11) Authorizes a county counsel to file a civil action relating to unlawful water pollution and unauthorized water diversions due to unlicensed cannabis cultivation on behalf of the state.
- 12) Establishes a task force on state and local entity regulation of commercial cannabis activity to promote communication between state and local entities engaged in the regulation of commercial cannabis activity and facilitate cooperation to enforce applicable state and local laws.
- 13) Adds delivery information to track and trace by January 1, 2023. Each delivery will have a unique "trip" number assigned to it in the track and trace system and this information will be interfaced over to California Law Enforcement Tracking System for law enforcement to verify the legitimacy of a delivery. This is the first step in protecting delivery drivers from licensed retailers. It also assists delivery drivers if they interface with law enforcement while on trips.

Fiscal Effect: Appropriates \$10,000 General Fund in the 2022-23 fiscal year from the General Fund, and \$150 million General Fund in the 2023-24 fiscal year for the purpose of backfilling potential lost revenues and maintain baseline funding for Allocation 3 entities as described above.

Support: None on file.

Opposition: None on file.

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