

# CITY OF OAKLAND



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#LoveLife

REBECCA KAPLAN  
Vice Mayor  
District At Large

NOEL GALLO  
Councilmember  
District 5

Date: December 7, 2021  
To: Members of City Council and Members of the Public  
From: Vice Mayor Kaplan and Councilmember Noel Gallo  
Re: **Resolution of the City of Oakland City Council Requesting State Cannabis Cultivation Tax Reform**

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Dear Colleagues on the City Council and Members of the Public,

California voters in 2016 passed Proposition 64, which legalized cannabis for non-medical adult use, and created a framework for regulating the cannabis industry. Within this regulatory framework, Proposition 64 establishes two commercial cannabis taxes - an excise tax upon the retail sale of cannabis/ cannabis products, and a cultivation tax on all harvested cannabis. The current regulatory structure is overly complex and imposes notably high taxation rates. As a result, local cannabis businesses within the City of Oakland and elsewhere have struggled. This resolution seeks to address these challenges by urging the Governor and State Legislature to eliminate the cultivation tax and adjust state regulations to ensure the success of legal commercial cannabis activities.

Despite the City of Oakland embracing legalization and permitting the operation of commercial cannabis businesses within the City, the industry continues to be burdened by high taxation rates imposed at the state level. Starting January 1, 2022, California's cultivation tax rate will be \$10.08 for flower per dry-weight, \$3.00 for leaves/trim per dry-weight ounce, and \$1.41 for fresh cannabis plant per ounce. These rates, compounded with the already high 15% excise tax, are placing undue barriers on legal cannabis businesses, and perpetuating the illicit cannabis market.

The Legislature in both 2018 and 2019 considered bills to temporarily eliminate the cultivation tax, citing severe under-collection of expected tax revenue and an ever-present illicit market as grounds for reevaluating the current tax structure. However, both measures failed to pass during the legislative process.

Given the enduring and increased challenges legal cannabis operators face from overly-complex and high taxation rates, we ask you to join us in supporting this resolution which urges Governor Newsom and the California Legislature to eliminate the cultivation tax and to establish a regulated environment for commercial cannabis activities that does not impose such barriers as to perpetuate the illicit market for cannabis.

City Council  
December 7, 2021  
File #