

JUL 15 2009

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BUDGET & FINANCE

MOTION

During this time of economic distress where the City of Los Angeles is facing a fiscal deficit of approximately \$1 billion dollars next year, there need to be creative ways of capturing revenues generated from certain services provided within our City borders. We need to concentrate these efforts on building permanent revenue streams that will help the City provide services to the public.

With the passage of Proposition 215, the 'Compassionate Use Act', in 1996, the State of California legalized the use of marijuana for medical uses in certain circumstances. The State leaves the establishment of any guidelines to local jurisdictions. The City of Los Angeles is close to finalizing a permanent Medical Marijuana Ordinance to allow for adequate enforcement and safe access.

The sale of medical marijuana has always been considered taxable. In October 2005, after meeting with taxpayers, businesses, and advocacy groups, the State Board of Equalization instituted policy to allow dispensaries to obtain seller's permit and for California to collect sales tax on medical marijuana sales.

On July 22<sup>nd</sup> the City of Oakland will be voting on a proposition (Measure F) to impose a 1.8% tax on medical marijuana sold in the city. There are four licensed "cannabis dispensaries" in the City of Oakland, with a total gross receipts of \$19.6 million in 2008. If the tax is approved, the city estimates that it will raise \$294,000 in additional tax revenue.

The City of Los Angeles should explore the feasibility of imposing a tax on medical marijuana sold within its boundaries. With over 400 operating dispensaries, the additional tax revenue could help the City address its fiscal deficits. Such an effort would add a revenue generating purpose to our permanent medical marijuana ordinance.

I THEREFORE MOVE that the City Administrative Officer with the assistance of the Office of Finance and the CLA be directed to report on the feasibility of imposing a "cannabis business" tax on legally operating medical marijuana dispensaries in the City, including estimates of potential revenue which could be collected, as well as on the City's gross business tax receipts in 2008-2009 from the dispensaries properly registered prior to the moratorium in the City of Los Angeles.

PRESENTED BY: *Janice Hahn*  
JANICE HAHN  
Councilwoman, 15<sup>th</sup> District

CO PRESENTED BY: *Dennis Zine*  
DENNIS ZINE  
Councilman, 3<sup>rd</sup> District

*Bill Rosendahl*

SECONDED BY: *Bill Rosendahl*  
BILL ROSENDAHL  
Councilman, 11<sup>th</sup> District

ORIGINAL

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