



For Immediate Release
July 15, 2009

Councilmembers Propose Taxing Medical Marijuana

Councilwoman Janice Hahn today, along with her colleagues, Councilman Dennis Zine and Councilman Bill Rosendahl, proposed that the city of Los Angeles explore the possibility of imposing a tax on medical marijuana sold within city limits.

With over 400 operating dispensaries in Los Angeles, a medical marijuana tax could generate significant revenue for the cash-strapped city.

"In this current economic crisis, we need to get creative about how we raise funds. A tax on medical marijuana could enable the city to continue providing services we might otherwise have to cut," said Councilwoman Janice Hahn.

"In the efforts to legitimize and regulate patient access to medical marijuana facilities, one aspect we need to analyze is how dispensaries will be taxed in accordance with State and local guidelines," said Councilman Dennis P. Zine. "Part of becoming a legitimate business in the City of Los Angeles means supporting local government by paying a fair share of municipal taxes."

"This is a creative solution that will help bring revenue to our city and also recognize the additional benefits the medical marijuana industry can contribute," said Councilmember Bill Rosendahl.

In addition to today's motion, Councilwoman Hahn joined Councilman Zine in adopting a resolution which supports bill H.R. 2835 (Frank, D-Mass), the Medical Marijuana Patient Protection Act, which allows for state law to prevail with regard to medical marijuana use.

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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 22nd 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.

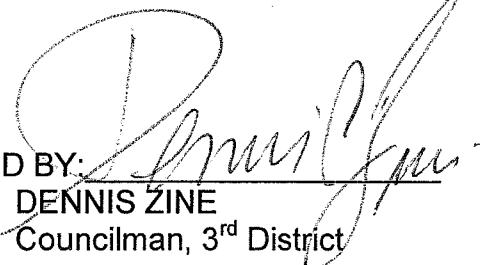
The City of Los Angeles should explore the feasibility of imposing a tax on medical marijuana sold within its boundaries. With over 400 operating dispensaries, the additional tax revenue could help the City address its fiscal deficits. Such an effort would add a revenue generating purpose to our permanent 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
 Councilwoman, 15th District

CO PRESENTED BY:


 DENNIS ZINE
 Councilman, 3rd District

SECONDED BY:


 BILL ROSENDAHL
 Councilman, 11th District

RESOLUTION RULES & GOVERNMENT

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulation or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, currently pending in Congress is a bill, H.R. 2835 (Frank, D-Massachusetts), the *Medical Marijuana Patient Protection Act*, which seeks to provide for the medical use of marijuana in accordance with the laws of the various States; and

WHEREAS, H.R. 2835 proposes that no provision of the *Controlled Substances Act and the Federal Food, Drug, and Cosmetic Act* shall prohibit or otherwise restrict in a State in which marijuana may be prescribed or recommended by a physician for medical use under applicable State law, the following medical marijuana regulatory controls:

- (1) the prescription or recommendation of marijuana by a physician for medical use;
- (2) an individual from obtaining, possessing, or transporting within their State, manufacturing or using marijuana in accordance with a prescription or recommendation of marijuana by a physician for medical use by such individual hereinafter in this section referred to as "an authorized patient";
- (3) an individual authorized under State law to obtain, possess, transport within their State, or manufacture marijuana from obtaining, possessing, transporting within their State, or manufacturing marijuana on an authorized patient's behalf; or
- (4) a pharmacy or other entity authorized under local or State law to distribute medical marijuana to authorized patients from obtaining, possessing or distributing marijuana to such authorized patients; and

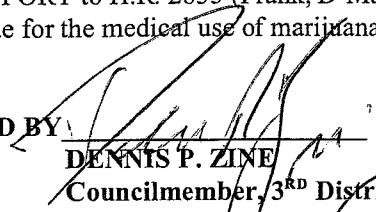
WHEREAS, H.R. 2835, proposes that no provision of the *Controlled Substances Act and Federal Food, Drug, and Cosmetic Act* shall prohibit or otherwise restrict an entity authorized by a State or local government, in which marijuana may be prescribed or recommended by a physician for medical use, for the purpose of producing marijuana for prescription or recommendation by a physician for medical use from producing, processing, or distributing marijuana for such purposes; and

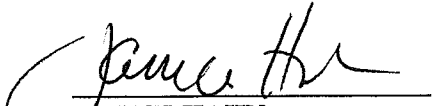
WHEREAS, H.R. 2835 proposes that the intent of the legislation is that it will not affect any Federal, State, or local law regulating or prohibiting smoking in public; and

WHEREAS, enactment into law of H.R. 2835 would further the public policy goals of the State of California, which in 1996 voters approved Proposition 215 (The Compassionate Use Act), which legalized the use of marijuana for medical purposes and allows persons to grow or possess marijuana based on the recommendation of a licensed physician, and the City of Los Angeles' support of Proposition 215, and its current efforts to enact a Medical Marijuana Dispensaries Ordinance;

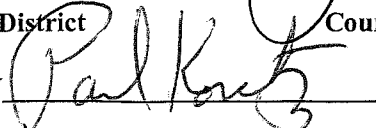
NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2009-2010 Federal Legislative Program SUPPORT to H.R. 2835 (Frank, D-Massachusetts), the *Medical Marijuana Patient Protection Act*, to provide for the medical use of marijuana in accordance with the laws of the various states.

PRESENTED BY


DENNIS P. ZINE
Councilmember, 3RD District


JANICE HAHN
Councilwoman, 15th District

SECONDED BY



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