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August 24, 2020

The Honorable Holly Mitchell  
Chair, Senate Budget & Fiscal Review  
Committee  
State Capitol, Room 5050  
Sacramento, CA 95814

The Honorable Phil Ting  
Chair, Assembly Budget Committee  
State Capitol, Room 6026  
Sacramento, CA 95814

**RE: SB 827 (Budget & Fiscal Review): Cannabis Trailer Bill  
NOTICE OF SUPPORT**

Dear Chair Mitchell and Chair Ting:

The California Cannabis Industry Association (CCIA), alongside our above coalition of cannabis industry leaders, businesses, and organizations, strongly supports SB 827 (Budget & Fiscal Review Committee), the budget trailer bill on cannabis. Among its provisions, this bill will provide much needed tax certainty for licensed cannabis businesses, beginning January 1, 2021.

SB 827 freezes, for one year, the California Department of Tax and Fee Administration's (CDTFA) authority to increase the existing cannabis tax rates, including the wholesale mark-up rate used to calculate the excise tax. The bill also prohibits the CDTFA from increasing the cultivation tax rate for inflation unless the adjustment is for an inflation rate that is less than zero. To be clear, this bill neither increases or decreases taxes, but will freeze the existing rates, upon which state taxes on cannabis are calculated.

SB 827 follows a surprise announcement by the CDTFA last November that, effective January 1, 2020, the cannabis mark-up rate for purposes of calculating the 15% excise tax on cannabis would increase from 60% to 80%. This was accompanied by an increase in cultivation tax rates of approximately 4%. These tax increases came at a particularly difficult time for the legal cannabis industry, which has faced considerable challenges since the regulatory framework took effect on January 1, 2018.

With the CDTFA currently mandated to annually adjust the cultivation tax rate for inflation, there is significant concern that it will increase once again beginning January 1, 2021. The CDTFA will also be contemplating an adjustment to the wholesale mark-up rate for purposes of collecting the excise tax. Facing already burdensome taxes and a more unpredictable market than ever, California's legal cannabis industry cannot sustain another increase in the mark-up rates in 2021.

SB 827 will suspend the CDTFA's authority to increase the State cannabis tax rates for one year, providing much-needed certainty, while also allowing the legal industry to focus on broader reform efforts aimed at reducing state and local taxes, addressing ongoing regulatory hurdles that exacerbate cost pressures, expanding legal retail access, combatting a thriving unlicensed market and removing barriers to entry.

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August 24, 2020  
Page 2

CCIA is pleased to have participated in this collaborative process and commends you and your staff for introducing this important measure which will provide immediate, short-term relief at a time when California's legal cannabis industry needs it the most.

Should you have any questions or wish to discuss our coalition's position, please contact our legislative advocate, Amy Jenkins, at (707) 291-3270 or [amy@precisionadvocacy.co](mailto:amy@precisionadvocacy.co).

Cc: Members, Senate Budget & Fiscal Review Committee  
Members, Assembly Budget Committee