

AB 725 (WARD): CANNABIS TAX PENALTY

POSITION: The Chamber's Public Policy Committee voted to SUPPORT the bill on April 14, 2021. The Chamber's Cannabis Policy Working Group expressed overwhelming SUPPORT for the bill on March 23, 2021. The Board of Directors voted to SUPPORT the bill on April 22, 2021.

RATIONALE: AB 725 would remove an unfair tax penalty placed on the cannabis industry. Removing the penalty would help ensure a thriving cannabis market that provides safe products to consumers.

STATUS: AB 725 was introduced by Assemblymember Chris Ward on February 16, 2021 and was referred to the Assembly Committee on Revenue & Taxation.

SUMMARY

[AB 725](#) seeks to remove the 50 percent tax penalty on late filings or payment for cannabis excise and cultivation taxes, while maintaining the 10 percent late penalty assigned to all other business types.

INDUSTRY/IES IMPACTED

This bill will provide relief for the cannabis industry while still providing tax revenue for the state and local governments.

ADDITIONAL INFORMATION

Currently, the California Department of Tax and Fee Administration (CDTFA) regulates that a cannabis distributor who fails to remit the cannabis excise or cultivation tax on time is subject to 50 percent penalty and an additional 10 percent penalty pursuant to the Fee Collection Procedures Law. The cannabis industry is the only subject to a total 60 percent tax penalty due to Proposal 64.

If a company was unable to file or pay on time due to reasonable circumstances, waiving the penalty is available by the CDTFA however this has negatively affected cannabis businesses by possibly forcing some to close or pay off its employees. In 2019, 879 penalties were issued with only 122 of those waived.

SUPPORTERS

- California Cannabis Manufacturers Association (co-sponsor)
- Kiva Confections (co-sponsor)
- California Cannabis Industry Association
- Cannabis Distribution Association
- CannaCraft
- CMG/Caliva
- State Treasure Fiona Ma
- California Asian Pacific Chamber of Commerce

OPPONENTS

- None at this time.

ARGUMENTS IN FAVOR

The cannabis industry is in need of tax relief to provide an environment where it can succeed and compete with the unlicensed market.

ARGUMENTS IN OPPOSITION

None at this time.