



**CALIFORNIA
CANNABIS
INDUSTRY
ASSOCIATION**

March 4, 2019

The Honorable Autumn R. Burke
Chair, Assembly Committee on Revenue and Taxation
Legislative Office Building, 1020 N Street, Room 167A
Sacramento, CA 95814

**RE: AB 37 (Jones-Sawyer)
SPONSOR/SUPPORT**

Dear Chairwoman Burke:

The California Cannabis Industry Association (CCIA) is pleased to sponsor Assembly Bill 37. This bill would allow cannabis businesses to deduct normal business expenses from their state income taxes for each taxable year beginning on or after January 1, 2019.

CCIA supports the need to reduce the tax burden on licensed cannabis businesses and strongly believes that such efforts will reduce illicit operations. By adhering to the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA), licensed cannabis businesses are paying significantly higher taxes and fees than their unlicensed competitors. The ability for these businesses to deduct their business expenses from their personal income tax will encourage compliance with California's new cannabis laws. Specifically, CCIA supports AB 37 for the following reasons:

- **AB 37 reduces illicit operations.** Under Section 280E of the Internal Revenue Code, cannabis is classified by federal law as a Schedule I drug, forbidding businesses from deducting business expenses from gross income. This bill requires that the state create a system for promoting the success of legal cannabis law in California, ultimately encouraging lawful commerce between federal and state tax laws.
- **AB 37 reduces the tax burden on legal businesses.** The MAUCRSA imposed a 15 percent excise tax as well as a by-weight cultivation tax, resulting in a significantly higher tax rate for licensed cannabis businesses. The allowance of a deduction for normal business expenses from state income tax will help reduce the tax burden on legal businesses.
- **AB 37 promotes regulation and accountability.** Now subject to strict new environmental, public safety, and public health standards under the MAUCRSA, any and all incentives that reduce the tax burden on compliant cannabis businesses will encourage greater participation in the compliant marketplace and increase accountability.

For the reasons previously stated, the California Cannabis Industry Association is pleased to sponsor AB 37.

Sincerely,

LINDSAY ROBINSON
Executive Director

cc: Members, Assembly Committee on Revenue and Taxation
M. David Ruff, Chief Consultant, Assembly Committee on Revenue and Taxation
Julia King, Assembly Republican Caucus