

# AB 953

## Cannabis CryptoBanking

Assemblymember  
**Phil Ting**  
19TH DISTRICT



### **SUMMARY**

California's legal cannabis businesses cannot open bank accounts because the federal government still categorizes marijuana as an illegal substance. As a result, this billion dollar industry is run almost entirely in cash. This underbanking has profound implications for the legal cannabis industry's sustainability, safety, and ability to pay taxes. AB 953 addresses these concerns by allowing state and local governments to collect cannabis-generated taxes via stable digital currencies providing a safe and cost-effective solution.

Working Group (CBWG) to address these concerns. In its 2018 report, CBWG concluded that while the status quo cannot stand, without federal action to legalize cannabis, no policy could solve this problem.

Stable virtual currency, also known as stablecoin, may provide a workable solution to cannabis' cash problem. Stablecoin is tied to the US Dollar which inoculates the cryptocurrency from volatility experienced by other types of virtual currency. As such, stablecoin provides the same stability as cash but is far easier, safer, and less costly to administer. Examples of stablecoins on the market include TrueUSD, UPUSD, and USDC – a stablecoin backed by Goldman Sachs.

Authorizing state and local tax agencies to collect and remit cannabis related taxes as an interim solution will help deliver on cannabis legalization's promise for improved public safety as well as new and greater revenue sources.

### **BACKGROUND**

In 2016, California voters passed Proposition 64 – the Adult Usage Marijuana Act – with 57 percent of the vote. Today, California represents about a third of the North American cannabis market with the state taking in more than \$345 million in taxes last year alone (California Department of Tax and Fee Administration).

Proposition 64 was designed to bring in new revenue for the state as well as address public safety concerns by driving out the illegal market. The post-Proposition 64 reality has been compromised by cannabis businesses' inability to engage in traditional banking services.

As a result, 70% of legal cannabis-related businesses across the US do not have a bank account, meaning this billion dollar industry is run almost entirely in cash. For its part, California state government is bringing in hundreds of millions of dollars in cash delivered by armored vehicle.

This underbanking has profound implications for the legal cannabis industry's sustainability, safety, and ability to pay taxes. This is why the California State Treasurer convened the Cannabis Banking

### **THIS BILL**

AB 953 authorizes state and local tax collecting agencies to accept and remit legal cannabis-generated revenue via stablecoin. AB 953 defines a stablecoin as a digital currency that is tied to the value of the US Dollar, reducing price volatility and allowing for the quick conversion to US Dollars in under 24 hours.

### **SUPPORT**

Blockchain Advocacy Coalition

### **STAFF CONTACT**

Tara Gamboa-Eastman, (916) 319-2019