

SECTION 1. The Legislature finds and declares as follows:

(a) It is imperative that the cannabis supply chain be taxed and regulated in a way that drives out the illicit market, as intended by the voters in enacting the Control, Regulate and Tax Adult Use of Marijuana Act. The current cannabis tax structure, however, has (contrary to the voters' intent) pushed producers and consumers into the unlicensed market and prevented the expansion of the licensed market—allowing the illicit market to persist. Changes to the existing cannabis tax structure are therefore necessary to further the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act by reducing barriers to entry into the legal, regulated cannabis market and combating the illicit market.

(b) It is also imperative that the cannabis supply chain be taxed in a way that generates hundreds of millions of dollars in new state revenue annually for restoring and repairing the environment, education, prevention, and treatment of youth substance use disorders, community investment, and public safety-related activities, as intended by the voters in enacting the Control, Regulate and Tax Adult Use of Marijuana Act.

(c) The purpose of this act is to achieve these goals by simplifying the state's cannabis tax structure. By consolidating the state's cannabis taxes into a single excise tax imposed at the point of retail sale, the state can tax the entire cannabis supply chain—from cultivation to sale—in a manner that is more efficient and transparent, thereby lowering barriers to entry into the legal, regulated cannabis market.

(d) By combating the illicit market and encouraging consumers and businesses to enter into the legal, regulated cannabis market, these changes may actually increase the state's cannabis tax revenues—all while reducing unnecessary burdens imposed on the state's legal cannabis businesses. But the transition to a new cannabis tax structure may be accompanied by short-term volatility, even if that transition is successful in the long term. During this transitional period, the recipients identified in subdivision (b)—programs for restoring and repairing the environment, youth education, treatment and substance use prevention, community investment, and public safety—may require support from the state and its General Fund to provide a more predictable revenue stream.

(e) The purpose of this act is thus to tax the cannabis supply chain in a way that reduces barriers to entry into the legal market and drives out the illicit market, while providing transitional stabilization and support to existing recipients of cannabis tax revenues.

SECTION 2. Section 34010 of the Revenue and Taxation Code is amended to read:

34010. This part is known and may be cited as the “Cannabis Tax Law.” For purposes of this part:

(a) “Arm's length transaction” shall mean a sale entered into in good faith and for valuable consideration that reflects the fair market value in the open market between two informed and willing parties, neither under any compulsion to participate in the transaction.

(b) “Average market price” shall mean both of the following:

(1) (A) In an arm's length transaction, the average retail price determined by the wholesale cost of the cannabis or cannabis products sold or transferred to a cannabis retailer, plus a mark-up, as determined by the department on a biannual basis in six-month intervals.

(B) Notwithstanding subparagraph (A), the department shall not increase the mark-up amount during the period beginning on and after the operative date of the act amending this section by adding this subparagraph and before July 1, 2021.

(2) In a nonarm's length transaction, the cannabis retailer's gross receipts from the retail sale of the cannabis or cannabis products.

(c) "Department" means the California Department of Tax and Fee Administration or its successor agency.

(d) "Tax Fund" means the California Cannabis Tax Fund created by Section 34018.

(e) "Cannabis" has the same meaning as set forth in Section 11018 of the Health and Safety Code and shall also mean medicinal cannabis.

(f) "Cannabis products" has the same meaning as set forth in Section 11018.1 of the Health and Safety Code and shall also mean medicinal concentrates and medicinal cannabis products.

(g) "Cannabis flowers" means the dried flowers of the cannabis plant as defined by the ~~board~~ department.

(h) "Cannabis leaves" means all parts of the cannabis plant other than cannabis flowers that are sold or consumed.

(i) "Cannabis retailer" means a person required to be licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code as a retailer, non-storefront retailer, microbusiness, or nonprofit, or any other person otherwise authorized under Division 10 (commencing with Section 26000) of the Business and Professions Code to engage in retail sales, ~~pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.~~

(j) "Cultivator" means all persons required to be licensed to cultivate cannabis pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

(k) "Distributor" means a person required to be licensed as a distributor pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

(l) "Enters the commercial market" means cannabis or cannabis products, except for immature cannabis plants and seeds, which that complete and comply with a quality assurance review and testing, as described in Section 26110 of the Business and Professions Code.

(m) "Gross receipts" has the same meaning as set forth in Section 6012.

(n) "Microbusiness" has the same meaning as set forth in ~~paragraph (3) of subdivision (a) of Section 26070~~ Section 26001 of the Business and Professions Code.

(o) "Nonprofit" has the same meaning as set forth in Section 26070.5 of the Business and Professions Code.

(p) "Person" has the same meaning as set forth in Section 6005.

(q) "Retail sale" has the same meaning as set forth in Section 6007.

(r) "Sale" and "purchase" mean any change of title or possession, exchange, or barter, conditional or otherwise, in any manner or by any means whatsoever, for consideration.

(s) "Transfer" means to grant, convey, hand over, assign, sell, exchange, or barter, in any manner or by any means, with or without consideration.

(t) "Unprocessed cannabis" includes cannabis flowers, cannabis leaves, or other categories of harvested cannabis, categories for unprocessed or frozen cannabis or immature plants, or cannabis that is shipped directly to manufacturers.

(u) "Manufacturer" means a person required to be licensed as a manufacturer pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

(v) "Medicinal cannabis patient" shall mean a qualified patient, as defined in Section 11362.7 of the Health and Safety Code, who possesses a physician's recommendation that complies with Article 25 (commencing with Section 2525) of Chapter 5 of Division 2 of the Business and Professions Code, or a qualified patient or primary caregiver for a qualified patient issued a valid identification card pursuant to Section 11362.71 of the Health and Safety Code.

(w) "Designated for donation" shall mean medicinal cannabis donated by a cultivator to a cannabis retailer for subsequent donation to a medicinal cannabis patient pursuant to Section 26071 of the Business and Professions Code.

(x) "2020-21 fiscal year baseline" shall mean the total amount of funds disbursed into the sub-trust accounts in fiscal year 2021-22 for fiscal year 2020-21 pursuant to subdivision (f) of Section 34019, as determined by the Department of Finance.

(y) "Sub-trust accounts" shall mean the sub-trust accounts created pursuant to subdivision (f) of Section 34019.

(z) "Tax Fund" means the California Cannabis Tax Fund created by Section 34018.

SECTION 3. Section 34011 of the Revenue and Taxation Code is amended to read:

34011. (a) (1) Effective on and after January 1, 2018, and before January 1, 2023, a cannabis excise tax shall be imposed upon purchasers of cannabis or cannabis products sold in this state at the rate of 15 percent of the average market price of any retail sale by a cannabis retailer. A purchaser's liability for the cannabis excise tax is not extinguished until the cannabis excise tax has been paid to this state except that an invoice, receipt, or other document from a cannabis retailer given to the purchaser pursuant to this subdivision is sufficient to relieve the purchaser from further liability for the tax to which the invoice, receipt, or other document refers.

(2) Each cannabis retailer shall provide a purchaser with an invoice, receipt, or other document that includes a statement that reads: "The cannabis excise taxes are included in the total amount of this invoice."

(3) The department may prescribe other means to display the cannabis excise tax on an invoice, receipt, or other document from a cannabis retailer given to the purchaser.

(b) (1) A distributor in an arm's length transaction shall collect the cannabis excise tax from the cannabis retailer on or before 90 days after the sale or transfer of cannabis or cannabis product to the cannabis retailer. A distributor in a nonarm's length transaction shall collect the cannabis excise tax from the cannabis retailer on or before 90 days after the sale or transfer of cannabis or cannabis product to the cannabis retailer, or at the time of retail sale by the cannabis retailer, whichever is earlier. A distributor shall report and remit the cannabis excise tax to the department pursuant to Section 34015. A cannabis retailer shall be responsible for collecting the cannabis excise tax from the purchaser and remitting the cannabis excise tax to the distributor in accordance with rules and procedures established under law and any regulations adopted by the department.

(2) A distributor shall provide an invoice, receipt, or other similar document to the cannabis retailer that identifies the licensee receiving the product, the distributor from which the product originates, including the associated unique identifier, the amount of cannabis excise tax, and any other information deemed necessary by the department. The department may authorize other forms of documentation under this paragraph.

(c) The cannabis excise tax imposed by this section shall be in addition to the sales and use tax imposed by the state and local governments.

(d) Gross receipts from the sale of cannabis or cannabis products for purposes of assessing the sales and use taxes under Part 1 (commencing with Section 6001) shall include the tax levied pursuant to this section.

(e) Cannabis or cannabis products shall not be sold to a purchaser unless the cannabis excise tax required by law has been paid by the purchaser at the time of sale.

(f) The sales and use taxes imposed by Part 1 (commencing with Section 6001) shall not apply to retail sales of medicinal cannabis, medicinal cannabis concentrate, edible medicinal cannabis products, or topical cannabis as those terms are defined in Division 10 (commencing with Section 26000) of the Business and Professions Code when a qualified patient or primary caregiver for a qualified patient provides their card issued under Section 11362.71 of the Health and Safety Code and a valid government-issued identification card.

(g) Nothing in this section shall be construed to impose a cannabis excise tax upon medicinal cannabis, or medicinal cannabis product, donated for no consideration to a medicinal cannabis patient pursuant to Section 26071 of the Business and Professions Code.

(h) (1) Nothing in this section shall be construed to impose a cannabis excise tax upon cannabis or cannabis products designated as a trade sample pursuant to Section 26153.1 of the Business and Professions Code.

(2) A person licensed under Division 10 (commencing with Section 26000) of the Business and Professions Code that sells cannabis or cannabis products designated as a trade sample pursuant to Section 26153.1 of the Business and Professions Code shall be liable for the cannabis excise tax imposed by this section as if the person were a cannabis retailer at the time of sale.

(i) This section shall remain operative only through and including December 31, 2022, and after that date is repealed.

SECTION 4. Section 34011.2 is added to the Revenue and Taxation Code to read:

34011.2. (a) Effective on and after January 1, 2023, and before January 1, 2024, a cannabis excise tax shall be imposed upon purchasers of cannabis or cannabis products sold in this state at 15 percent of the gross receipts of any retail sale by a cannabis retailer.

(b)(1) Except as otherwise provided in paragraphs (2) and (3), on and after January 1, 2024, the cannabis excise tax shall be 19 percent of the gross receipts of any retail sale by a cannabis retailer.

(2)(A) On or before November 1, 2023, the department, in consultation with the Department of Finance, shall determine whether the revenues received pursuant to this part for the 2022-23 fiscal year when combined with any funds disbursed pursuant to Section 34019.1 yield an amount equal to or more than the amount necessary to disburse an amount that is substantially equivalent to the 2020-21 fiscal year baseline to the sub-trust accounts for the 2022-23 fiscal year. The department, in consultation with the Department of Finance, may consider this information when considering any reduction in the cannabis excise tax rate pursuant to subparagraph (B).

(B) The rate specified in paragraph (1) may be reduced by increments of one percent (1%) to reach a rate that the department, in consultation with the Department of Finance and in light of other available information (including, but not limited to, the amount of any funds remaining available for transfer pursuant to Section 34019.1), determines will result in revenues such that funds disbursed to the sub-trust accounts for the 2023-24 fiscal year are substantially equivalent to the 2020-21 fiscal year baseline, except that the rate may not be set below 15 percent. Any rate determined by this paragraph would apply on and after January 1, 2024, and before January 1, 2025.

(3)(A) On or before November 1, 2024, the department, in consultation with the Department of Finance, shall determine whether the revenues received pursuant to this part for the 2023-24 fiscal year when combined with any funds disbursed pursuant to Section 34019.1 yield an amount that is equal to or more than the amount necessary to disburse an amount substantially equivalent to the 2020-21 fiscal year baseline to the sub-trust accounts for the 2023-24 fiscal year. The department, in consultation with the Department of Finance, may consider this information when considering any reduction in the cannabis excise tax rate pursuant to subparagraph (B).

(B) The rate specified in paragraph (1) may be reduced by increments of one percent (1%) to reach a rate that the department, in consultation with the Department of Finance and in light of other available information (including, but not limited to, the amount of any funds remaining available for transfer pursuant to Section 34019.1), determines will result in revenues such that funds disbursed to the sub-trust accounts for the 2024-25 fiscal year are substantially equivalent to the 2020-21 fiscal year baseline, except that the rate may not be set below 15 percent. Any rate determined by this paragraph would apply on and after January 1, 2025, and before July 1, 2025.

(c) A purchaser's liability for the cannabis excise tax is not extinguished until the cannabis excise tax has been paid to this state, except that an invoice, receipt, or other

document from a cannabis retailer given to the purchaser pursuant to this subdivision is sufficient to relieve the purchaser from further liability for the tax to which the invoice, receipt, or other document refers.

(d) A cannabis retailer shall be responsible for collecting the cannabis excise tax from the purchaser and remitting that tax to the department in accordance with this division.

(e) Each cannabis retailer shall provide a purchaser with an invoice, receipt, or other document that separately states the cannabis excise tax.

(f) The cannabis excise tax imposed by this section shall be in addition to the sales and use tax imposed by the state and local governments.

(g) Gross receipts from the sale of cannabis or cannabis products for purposes of assessing the sales and use taxes under Part 1 (commencing with Section 6001) shall include the tax levied pursuant to this section.

(h) Cannabis or cannabis products shall not be sold to a purchaser unless the cannabis excise tax required by law has been paid by the purchaser at the time of sale.

(i) The sales and use taxes imposed by Part 1 (commencing with Section 6001) shall not apply to retail sales of medicinal cannabis, medicinal cannabis concentrate, edible medicinal cannabis products, or topical cannabis as those terms are defined in Division 10 (commencing with Section 26000) of the Business and Professions Code when a qualified patient or primary caregiver for a qualified patient provides their card issued under Section 11362.71 of the Health and Safety Code and a valid government-issued identification card.

(j) This section shall become operative on January 1, 2023.

SECTION 5. Section 34012 of the Revenue and Taxation Code is amended to read:

34012. (a) Effective January 1, 2018, and before July 1, 2022, there is hereby imposed a cultivation tax on all harvested cannabis that enters the commercial market upon all cultivators. The tax shall be due after the cannabis is harvested and enters the commercial market.

(1) The tax for cannabis flowers shall be nine dollars and twenty-five cents (\$9.25) per dry-weight ounce.

(2) The tax for cannabis leaves shall be set at two dollars and seventy-five cents (\$2.75) per dry-weight ounce.

(b) The department may adjust the tax rate for cannabis leaves annually to reflect fluctuations in the relative price of cannabis flowers to cannabis leaves.

(c) The department may from time to time establish other categories of harvested cannabis, categories for unprocessed or frozen cannabis or immature plants, or cannabis that is shipped directly to manufacturers. These categories shall be taxed at their relative value compared with cannabis flowers.

(d) The department may prescribe by regulation a method and manner for payment of the cultivation tax that utilizes tax stamps or state-issued product bags that indicate

that all required tax has been paid on the product to which the tax stamp is affixed or in which the cannabis is packaged.

(e) The tax stamps and product bags shall be of the designs, specifications, and denominations as may be prescribed by the department and may be purchased by any licensee under Division 10 (commencing with Section 26000) of the Business and Professions Code.

(f) Subsequent to the establishment of a tax stamp program, the department may by regulation provide that cannabis shall not be removed from a licensed cultivation facility or transported on a public highway unless in a state-issued product bag bearing a tax stamp in the proper denomination.

(g) The tax stamps and product bags shall be capable of being read by a scanning or similar device and must be traceable utilizing the track and trace system pursuant to Section 26068 of the Business and Professions Code.

(h) Cultivators shall be responsible for payment of the tax pursuant to regulations adopted by the department. A cultivator's liability for the tax is not extinguished until the tax has been paid to this state except that an invoice, receipt, or other document from a distributor or manufacturer given to the cultivator pursuant to paragraph (3) is sufficient to relieve the cultivator from further liability for the tax to which the invoice, receipt, or other document refers. Cannabis shall not be sold unless the tax has been paid as provided in this part.

(1) A distributor shall collect the cultivation tax from a cultivator on all harvested cannabis that enters the commercial market. This paragraph shall not apply where a cultivator is not required to send, and does not send, the harvested cannabis to a distributor.

(2) (A) A manufacturer shall collect the cultivation tax from a cultivator on the first sale or transfer of unprocessed cannabis by a cultivator to a manufacturer. The manufacturer shall remit the cultivation tax collected on the cannabis product sold or transferred to a distributor for quality assurance, inspection, and testing, as described in Section 26110 of the Business and Professions Code. This paragraph shall not apply where a distributor collects the cultivation tax from a cultivator pursuant to paragraph (1).

(B) Notwithstanding subparagraph (A), the department may prescribe a substitute method and manner for collection and remittance of the cultivation tax under this paragraph, including a method and manner for collection of the cultivation tax by a distributor.

(3) A distributor or manufacturer shall provide to the cultivator, and a distributor that collects the cultivation tax from a manufacturer pursuant to paragraph (2) shall provide to the manufacturer, an invoice, receipt, or other similar document that identifies the licensee receiving the product, the cultivator from which the product originates, including the associated unique identifier, the amount of cultivation tax, and any other information deemed necessary by the department. The department may authorize other forms of documentation under this paragraph.

(4) The department may adopt regulations prescribing procedures for the refund of cultivation tax collected on cannabis or cannabis product that fails quality assurance,

inspection, and testing as described in Section 26110 of the Business and Professions Code.

(i) All cannabis removed from a cultivator's premises, except for plant waste or medicinal cannabis or medicinal cannabis products designated for donation, shall be presumed to be sold and thereby taxable under this section, except as otherwise exempt pursuant to Section 34012.2.

(j) The tax imposed by this section shall be imposed on all cannabis cultivated in the state pursuant to rules and regulations promulgated by the department, but shall not apply to cannabis cultivated for personal use under Section 11362.1 of the Health and Safety Code or cultivated by a qualified patient or primary caregiver in accordance with the Compassionate Use Act of 1996 (Proposition 215), found in Section 11362.5 of the Health and Safety Code.

(k) (1) For the 2020 calendar year, the rates set forth in subdivisions (a), (b), and (c) shall be adjusted by the department for inflation.

(2) For the 2021 calendar year, the rates shall be those imposed for the 2020 calendar year in paragraph (1) and shall not be adjusted for inflation unless the adjustment is for an inflation rate that is less than zero.

(3) For the 2022 calendar year, the rates shall be those imposed for the 2021 calendar year in paragraph (2) and shall be adjusted by the department for inflation.

~~(4) Beginning January 1, 2023, the rates imposed for the previous calendar year shall be adjusted by the department annually for inflation.~~

(l) The Department of Cannabis Control is not responsible for enforcing any provisions of the cultivation tax.

SECTION 6. Section 34012.6 is added to the Revenue and Taxation Code to read:

34012.5. (a) The cannabis excise tax required to be collected by the cannabis retailer, and any amount not returned to the purchaser that is not tax but was collected from the purchaser under the representation by the cannabis retailer that it was tax, constitute debts owed by the cannabis retailer to this state.

(b) Any amount owed by a cannabis retailer to a distributor in connection with the collection of cannabis excise tax owed prior to January 1, 2023, shall be paid by the retailer to the distributor on or before April 1, 2023. This section shall not be construed to require the department to enforce this obligation.

(c) This section shall become operative on January 1, 2023.

SECTION 7. Section 34013 of the Revenue and Taxation Code is amended to read:

34013. (a) The department shall administer and collect the taxes imposed by this part pursuant to the Fee Collection Procedures Law (Part 30 (commencing with Section 55001)). For purposes of this part, the references in the Fee Collection Procedures Law to "fee" shall include the taxes imposed by this part, and references to "feepayer" shall include a person required to pay or collect the taxes imposed by this part.

(b) Until January 1, ~~2022~~2026, subdivision (a) of Section 55050 shall not apply to a person required to pay or collect the taxes imposed by this part on a person licensed to engage in commercial cannabis activity under Division 10 (commencing with Section 26000) of the Business and Professions Code if the department deems it necessary to facilitate the collection of amounts due.

(c) The department may prescribe, adopt, and enforce regulations relating to the administration and enforcement of this part, including, but not limited to, collections, reporting, refunds, and appeals.

(d) The department shall adopt necessary rules and regulations to administer the taxes in this part. Such rules and regulations may include methods or procedures to tag cannabis or cannabis products, or the packages thereof, to designate prior tax payment.

(e) Until January 1, ~~2024~~2019, the department may prescribe, adopt, and enforce any emergency regulations as necessary to implement, administer, and enforce its duties under this division. Any emergency regulation prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and, for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare. Notwithstanding any other law, the emergency regulations adopted by the department may remain in effect for two years from adoption, and may be readopted in accordance with subdivision (h) of Section 11346.1 of the Government Code.

(f) Any person required to be licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code who fails to pay the taxes imposed under this part shall, in addition to owing the taxes not paid, be subject to a penalty of at least one-half the amount of the taxes not paid, and shall be subject to having its license revoked pursuant to Section 26031 of the Business and Professions Code.

(g) The department may bring such legal actions as are necessary to collect any deficiency in the tax required to be paid, and, upon the department's request, the Attorney General shall bring the actions.

SECTION 8. Section 34014 of the Revenue and Taxation Code is amended to read:

34014. (a) (1) Until January 1, 2023, all ~~All~~ distributors must obtain a separate cannabis tax permit from the department ~~board~~ pursuant to regulations adopted by the department ~~board~~. No fee shall be charged to any person for issuance of the permit. Any person required to obtain a permit who engages in business as a distributor without a permit or after a permit has been canceled, suspended, or revoked, and each officer of any corporation which so engages in business, is guilty of a misdemeanor.

(2) On and after January 1, 2023, all cannabis retailers must obtain a separate cannabis tax permit from the department pursuant to regulations adopted by the department. No fee shall be charged to any person for issuance of the permit. Any person required to obtain a permit who engages in business as a cannabis retailer without a permit or after

a permit has been canceled, suspended, or revoked, and each officer of any corporation which so engages in business, is guilty of a misdemeanor.

(b) The ~~department board~~ may require every licensed distributor, retailer, cultivator, microbusiness, nonprofit, or other person required to be licensed, to provide security to cover the liability for taxes imposed by state law on cannabis produced or received by the retailer, cultivator, microbusiness, nonprofit, or other person required to be licensed in accordance with procedures to be established by the ~~department board~~. Notwithstanding anything herein to the contrary, the ~~department board~~ may waive any security requirement it imposes for good cause, as determined by the ~~department board~~. "Good cause" includes, but is not limited to, the inability of a distributor, retailer, cultivator, microbusiness, nonprofit, or other person required to be licensed to obtain security due to a lack of service providers or the policies of service providers that prohibit service to a cannabis business. ~~A person may not commence or continue any business or operation relating to cannabis cultivation until any surety required by the board with respect to the business or operation has been properly prepared, executed, and submitted under this part.~~

(c) In fixing the amount of any security required by the ~~department board~~, the ~~department board~~ shall give consideration to the financial hardship that may be imposed on licensees as a result of any shortage of available surety providers.

SECTION 9. Section 34014.1 is added to the Revenue and Taxation Code, to read:

34014.1. (a) Whenever any person fails to comply with any provision of this part relating to the cannabis excise tax or any rule or regulation of the department relating to the cannabis excise tax prescribed and adopted under this part, or when a person's seller's permit has been suspended or revoked under Part 1 (commencing with Section 6001), or when a person's license has been suspended or revoked under Division 10 (commencing with Section 26000) of the Business and Professions Code, the department upon conducting a hearing, after giving the person 10 days' notice in writing specifying the time and place of hearing and requiring the person to show cause why the person's permit or permits should not be revoked, may revoke or suspend any one or more of the permits held by the person. The department shall give to the person written notice of the suspension or revocation of any of the person's permits. The notices herein required may be served personally or by mail in the manner prescribed for service of notice of a deficiency determination under subdivision (d) of Section 55061 of the Revenue and Taxation Code. The department shall not issue a new permit after the revocation of a permit unless it is satisfied that the former holder of the permit will comply with the provisions of this part relating to the cannabis excise tax and the regulations of the department.

(b) A person whose permit has been previously suspended or revoked shall pay the department a fee of one hundred dollars (\$100) for the issuance of a permit.

SECTION 10. Section 34015 of the Revenue and Taxation Code is amended to read:

34015. (a) Unless otherwise prescribed by the ~~board~~ department pursuant to subdivision (c), the cannabis excise tax and cultivation tax imposed by this part is due and payable to the ~~board~~ department quarterly on or before the last day of the month following each quarterly period of three months. On or before the last day of the month following each quarterly period, a return for the preceding quarterly period shall be filed with the ~~board~~ department by each distributor using electronic media. Returns shall be authenticated in a form or pursuant to methods as may be prescribed by the ~~board~~ department. If the cultivation tax is paid by stamp pursuant to subdivision (d) of Section 34012 the ~~board~~ department may by regulation determine when and how the tax shall be paid.

(b) The ~~board~~ department may require every person engaged in the cultivation, distribution, manufacturing, retail sale of cannabis or cannabis products, or any other person required to be licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code to file, on or before the 25th day of each month, a report using electronic media respecting the person's inventory, purchases, and sales during the preceding month and any other information as the ~~board~~ department may require to carry out the purposes of this part. Reports shall be authenticated in a form or pursuant to methods as may be prescribed by the ~~board~~ department.

(c) The ~~board~~ department may adopt regulations prescribing the due date for returns and remittances of cannabis excise tax collected by a distributor in an arm's length transaction pursuant to subdivision (b) of Section 34011.

(d) The ~~board~~ department may make examinations of the books and records of any person licensed, or required to be licensed, pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code, as it may deem necessary in carrying out this part.

(e) This section shall remain operative only through and including December 31, 2022, and after that date is repealed.

SECTION 11. Section 34015 is added to the Revenue and Taxation Code to read:

34015. (a) Unless otherwise prescribed by the department, the cannabis excise tax imposed by this part is due and payable to the department quarterly on or before the last day of the month following each quarterly period of three months. On or before the last day of the month following each quarterly period, each cannabis retailer shall file a return for the preceding quarterly period with the department using electronic media prescribed by the department. Returns shall be authenticated in a form or pursuant to methods as may be prescribed by the department.

(b) The department may require every person engaged in the cultivation, distribution, manufacturing, retail sale of cannabis or cannabis products, or any other person required to be licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code to file, on or before the 25th day of each month, a report using electronic media prescribed by the department respecting the person's inventory, purchases, and sales during the preceding month and any other information as the department may require to carry out the purposes of this part. Reports shall be

authenticated in a form or pursuant to methods as may be prescribed by the department.

(c) The department may examine the books and records of any person licensed, or required to be licensed, pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code, as it may deem necessary in carrying out this part.

(d) This section shall become operative on January 1, 2023.

SECTION 12. Section 34015.1 is added to the Revenue and Taxation Code, to read:

34015.1 (a) Any unlicensed person who is required to be licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code and who possesses, keeps, stores, or retains for the purpose of sale, or sells or offers to sell any cannabis or cannabis products, shall be liable for the cultivation tax imposed pursuant to Section 34012 as if the person were the cultivator of the harvested cannabis and that cannabis entered the commercial market, the cannabis excise tax imposed pursuant to Section 34011 or 34011.2 as if the person were the purchaser of the cannabis or cannabis product in a retail sale from a cannabis retailer, and for applicable penalties and interest, if any, which shall become immediately due and payable.

(b) Any licensed person, on or after January 1, 2023, who sells or transfers to any person cannabis or cannabis products and who knowingly does not report or falsely reports that sale or transfer in the track and trace system required pursuant to Chapter 6.5 (commencing with Section 26067) of Division 10 of the Business and Professions Code or any regulations promulgated thereunder, shall be, with respect to the cannabis or cannabis products knowingly not reported or falsely reported in the track and trace system, liable for the cannabis excise tax imposed pursuant to Section 34011 or 34011.2 as if the person were the purchaser of the cannabis or cannabis product in a retail sale from a cannabis retailer, and for applicable penalties and interest, if any, which shall become immediately due and payable.

SECTION 13. Section 34015.2 is added to the Revenue and Taxation Code, to read:

34015.2. (a) Upon the termination, dissolution, or abandonment of the business of a corporation, partnership, limited partnership, limited liability partnership or limited liability company, any officer, member, manager, partner, or other person having control or supervision of, or who is charged with the responsibility for the filing of returns or the payment of tax for, or who is under a duty to act for the corporation, partnership, limited partnership, limited liability partnership, or limited liability company in complying with any requirement of this part, shall, notwithstanding any provision in the Corporations Code to the contrary, be personally liable for any unpaid taxes and interest and penalties on those taxes, if the officer, member, manager, partner, or other person willfully fails to pay or to cause to be paid any taxes due from the corporation, partnership, limited partnership, limited liability partnership, or limited liability company pursuant to this part.

(b) The officer, member, manager, partner, or other person shall be liable only for taxes that became due during the period he or she had the control, supervision, responsibility, or duty to act for the corporation, partnership, limited partnership, limited liability partnership, or limited liability company described in subdivision (a), plus interest and penalties on those taxes.

(c) Personal liability may be imposed pursuant to this section only if the department can establish that the corporation, partnership, limited partnership, limited liability partnership, or limited liability company is required to collect the cannabis excise tax imposed pursuant to Section 34011 or 34011.2 or cultivation tax imposed pursuant to Section 34012 and that it failed to report and pay the tax.

(d) For purposes of this section "willfully fails to pay or to cause to be paid" means that the failure was the result of an intentional, conscious, and voluntary course of action.

(e) Except as provided in subdivision (f), the sum due for the liability under this section may be collected by determination and collection in the manner provided in Chapter 3 (commencing with Section 55040) and Chapter 4 (commencing with Section 55121) of Part 30.

(f) A notice of deficiency determination under this section shall be mailed within three years after the last day of the calendar month following the quarterly period in which the department obtains actual knowledge, through its audit or compliance activities, or by written communication by the business or its representative, of the termination, dissolution, or abandonment of the business of the corporation, partnership, limited partnership, limited liability partnership, or limited liability company, or, within eight years after the last day of the calendar month following the quarterly period in which the corporation, partnership, limited partnership, limited liability partnership, or limited liability company business was terminated, dissolved, or abandoned, whichever period expires earlier. If a business or its representative files a notice of termination, dissolution, or abandonment of its business with a state or local agency other than the department, this filing shall not constitute actual knowledge by the department under this section.

SECTION 14. Section 34019 of the Revenue and Taxation Code is amended to read:

Add subdivision (i) as follows:

(i) Notwithstanding subdivision (f), for the 2021-22 fiscal year, the 2022-23 fiscal year, the 2023-24 fiscal year, and the 2024-25 fiscal year, after disbursing funds pursuant to subdivisions (a), (b), (c), (d), and (e), by November 1 of those fiscal years the Controller shall disburse funds deposited in the Tax Fund during the prior fiscal year into sub-trust accounts in an amount not to exceed the 2020-21 fiscal year baseline. Any funds exceeding the 2020-21 fiscal year baseline shall remain in the Tax Fund and be disbursed in an amount not to exceed amounts retained pursuant to this subdivision, as follows:

(1)(A) For the 2021-22 fiscal year, by November 1, 2022, the Controller shall disburse from the Tax Fund an amount necessary to enable funds disbursed to the sub-trust accounts for the 2021-22 fiscal year pursuant to subdivision (f) and Section 34019.1 to be equal to the 2020-21 fiscal year baseline.

(B) For the 2022-23 fiscal year, by November 1, 2023, the Controller shall disburse from the Tax Fund an amount necessary to enable funds disbursed to the sub-trust accounts for the 2022-23 fiscal year pursuant to subdivision (f) and Section 34019.1 to be equal to the 2020-21 fiscal year baseline.

(C) For the 2023-24 fiscal year, by November 1, 2024, the Controller shall disburse from the Tax Fund an amount necessary to enable funds disbursed to the sub-trust accounts for the 2023-24 fiscal year pursuant to subdivision (f) and Section 34019.1 to be equal to the 2020-21 fiscal year baseline.

(D) For the 2024-25 fiscal year, by November 1, 2025, the Controller shall disburse from the Tax Fund an amount necessary to enable funds disbursed to the sub-trust accounts for the 2024-25 fiscal year pursuant to subdivision (f) and Section 34019.1 to be equal to the 2020-21 fiscal year baseline.

(2) By January 1, 2026, any remaining moneys in the Tax Fund retained pursuant to this subdivision and any interest derived shall be disbursed to the sub-trust accounts pursuant to subdivision (f).

SECTION 15. Section 34019.1 is added to the Revenue and Taxation Code, to read:

34019.1. (a) The sum of ten thousand dollars (\$10,000) is hereby appropriated from the General Fund in the 2022-23 fiscal year, and one hundred fifty million dollars (\$150,000,000) is hereby appropriated in the 2023-24 fiscal year for the purposes set forth in this section. In no event shall any funds in excess of those amounts be transferred pursuant to this section. These funds are available for encumbrance or expenditure until June 30, 2026.

(b) Upon the order of the Department of Finance, the Controller shall make the following transfers, in an amount not to exceed one hundred fifty million dollars (\$150,000,000) in fiscal years 2023-24, 2024-25, and 2025-26, combined:

(1) By November 1, 2023, the Controller shall, subject to the limitation in subdivision (a), transfer from the General Fund an amount that would enable funds disbursed to the sub-trust accounts for the 2022-23 fiscal year, pursuant to subdivisions (f) and (i) of Section 34019 and this paragraph, to be equal to the 2020-21 fiscal year baseline.

(2) By November 1, 2024, the Controller shall, subject to the limitation in subdivision (a), transfer from the General Fund an amount that would enable funds disbursed to the sub-trust accounts for the 2023-24 fiscal year, pursuant to subdivisions (f) and (i) of Section 34019 and this paragraph, to be equal to the 2020-21 fiscal year baseline.

(3) By November 1, 2025, the Controller shall, subject to the limitation in subdivision (a), disburse from the General Fund an amount that would enable funds disbursed to the sub-trust accounts for the 2024-25 fiscal year, pursuant to subdivisions (f) and (i) of Section 34019 and this paragraph, to be equal to the 2020-21 fiscal year baseline.

(c) This section shall remain in effect through and including December 31, 2026, and after that date is repealed.

SECTION 16. Notwithstanding the repeal of Sections 34011 and 34015 of the Revenue and Taxation Code by this act, those sections as they read prior to the repeal date shall remain operative as if the repeal had not been made for the collection and enforcement of the cultivation tax imposed pursuant to Section 34012 of the Revenue and Taxation Code, as that section read prior to the repeal date, and the cannabis retail excise tax imposed pursuant to Section 34011 of the Revenue and Taxation Code, as that section read prior to the repeal date, the liability for which accrued prior to the repeal date; the making of any refunds and the effecting of any credits and exemptions; the disposition of money collected; and the commencement of any action or proceeding pursuant to Part 14.5 (commencing with Section 34010) of the Revenue and Taxation Code.

SECTION 17. (a) The following provisions of this act are severable:

(1) The provisions of Section 34014.1 of the Revenue and Taxation Code, as added by Section 9 of this act, are severable from the remainder of this act. If any provision or application of the remainder of this act is held invalid, that invalidity shall not affect the provisions or applications of Section 34014.1, as added by Section 9 of this act.

(2) The provisions of Section 34015.1 of the Revenue and Taxation Code, as added by Section 12 of this act, are severable from the remainder of this act. If any provision or application of the remainder of this act is held invalid, that invalidity shall not affect the provisions or applications of Section 34015.1, as added by Section 12 of this act.

(3) The provision of Section 34015.2 of the Revenue and Taxation Code, as added by Section 13 of this act, are severable from the remainder of this act. If any provision or application of the remainder of this act is held invalid, that invalidity shall not affect the provisions or applications of Section 34015.2, as added by Section 13 of this act.

(4) (A) The provisions of Section 34019 of the Revenue and Taxation Code, as amended by Section 14 of this act, and Section 34019.1 of the Revenue and Taxation Code, as added by Section 15 of this act, are severable from the remainder of this act. If any provision or application of the remainder of this act is held invalid, that invalidity shall not affect the provisions or applications of Sections 34019 and 34019.1, as amended and added by Sections 14 and 15 of this act.

(B) Notwithstanding paragraph (A), the provisions of Sections 34019 and 34019.1 of the Revenue and Taxation Code, as amended and added by Sections 14 and 15 of this act, are not severable from each other. If any provision of Section 34019 (as amended by Section 14 of this act) or Section 34019.1 (as added by Section 15 of this act) is held invalid in a final decision of a court of competent jurisdiction, the remaining provisions of Sections 34019 and 34019.1, as amended and added by this act, shall become inoperative on the date of that final decision, and the provisions of Sections 34019 and 34019.1 amended or added by this act shall revert to the law as it read before the effective date of this act on the first day of the first calendar quarter commencing more than 90 days after that final decision.

(b) Except as set forth in subdivision (a), the provisions of this act are not severable. If any provision of this act or its application is held invalid in a final decision of a court of competent jurisdiction, the provisions of this act shall become inoperative on the date of that final decision, and the provisions amended, added, or repealed by this act shall

revert to the law as it read before the effective date of this act on the first day of the first calendar quarter commencing more than 90 days after that final decision, except as set forth in subdivision (a).

SECTION 18. The Legislature finds and declares that this act furthers the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act, by accomplishing all of the following:

(a) Taxing the growth and sale of marijuana in a way that drives out the illicit market for marijuana and discourages use by minors, and abuse by adults.

(b) Generating hundreds of millions of dollars in new state revenue annually for restoring and repairing the environment, youth treatment and prevention, community investment, and law enforcement.

(c) Reducing barriers to entry into the legal, regulated market.