

3/01/25 5:00

#52
03/25/2025

(O-2025-91)

ORDINANCE NUMBER O- 21935 (NEW SERIES)

DATE OF FINAL PASSAGE APR 03 2025

AN ORDINANCE AMENDING CHAPTER 3, ARTICLE 4, DIVISION 1 OF THE SAN DIEGO MUNICIPAL CODE BY AMENDING SECTION 34.0112 REGARDING THE CITY'S CANNABIS BUSINESS TAX.

A. On November 8, 2016, voters in California voted on the statewide initiative titled "Control, Regulate, and Tax Adult Use of Marijuana Act" (Adult Use Act) which, among other things, legalized the non-medical use and sale of marijuana and marijuana products in the State of California.

B. Concurrent with the statewide vote on the Adult Use Act, on November 8, 2016, voters in the City of San Diego (City) approved Measure N imposing a gross receipts tax (CBT) on all non-medical cannabis businesses (Cannabis Businesses) to raise revenue for general governmental purposes. Measure N was codified in the San Diego Municipal Code through an amendment to Chapter 3 by adding Article 4, Division 1 (CBT Ordinance).

C. Commencing December 12, 2016, the Council of the City of San Diego (Council) established a CBT of five percent for all Cannabis Businesses under CBT Ordinance section 34.0112(a).

D. Under CBT Ordinance section 34.0112(b), the Council may at any time change the rate of CBT (CBT Rate) by ordinance for all Cannabis Businesses or establish differing tax rates for different categories of Cannabis Businesses subject to a maximum CBT Rate of 15 percent.

E. The CBT Rate increased to eight percent commencing July 1, 2019, under section 34.0112(c) of the CBT Ordinance.

F. In 2017, the City began permitting commercial cultivation, distribution and storage, and production of medical and recreational cannabis and cannabis products, including Cannabis Production Facilities (CPFs) under Ordinance O-20859 (Oct. 17, 2017).

G. In 2022, the Council amended the CBT Ordinance by adding section 34.0112(d), which reduced the CBT Rate for CPFs from eight percent to two percent. (Ordinance O-21441 (Mar. 9, 2022)). The CBT Rate for all other Cannabis Businesses remained at eight percent.

H. Based on the Council's authority under section 34.0112(b) of the CBT Ordinance, the City desires that the Council authorize a two percent increase to the CBT Rate (from eight percent to ten percent) for all Cannabis Businesses except CPFs, effective May 1, 2025. The City will maintain the CBT rate charged to CPFs at two percent.

I. The Office of the City Attorney prepared this Ordinance based on the information provided by City staff with the understanding that this information is complete and accurate.

ACTION ITEMS

Be it ordained by the Council of the City of San Diego:

Section 1. That Chapter 3, Article 4, Division 1, section 34.0112 of the San Diego Municipal Code is amended to read as follows:

§34.0112 Amount of Business Tax Owed

- (a) Every *Operator* engaged in *Cannabis Business* in the City shall pay a *Cannabis Business Tax* at a rate of up to 15 percent of *Gross Receipts*.
- (b) [No change in text.]
- (c) Commencing on May 1, 2025, except as set forth in subsection 34.0112(d), the *Cannabis Business Tax* rate shall be set at ten percent of

Gross Receipts unless the City Council, by ordinance, takes action to set a different tax rate, not to exceed 15 percent of *Gross Receipts*.

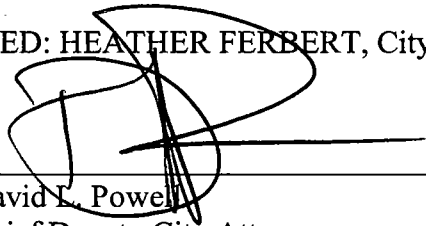
(d) [No change in text.]

Section 2. The Council dispenses with a full reading of this Ordinance before its passage because a written copy of this Ordinance was made available to the Council and the public before the date of its passage.

Section 3. This Ordinance will take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: HEATHER FERBERT, City Attorney

By



David L. Powell
Chief Deputy City Attorney

DLP:jdf
02/24/2025
Or.Dept: City Treasurer
Doc. No.: 3972030

I certify that the Council of the City of San Diego adopted this Ordinance at a meeting held on
MAR 25 2025

DIANA J.S. FUENTES
City Clerk

By *Cornie Patterson*
Deputy City Clerk

Approved: 4/1/25
(date)

Todd Gloria
TODD GLORIA, Mayor

Vetoed: _____
(date)

TODD GLORIA, Mayor

(Note: The date of final passage is April 3, 2025, which represents the day this ordinance was returned to the Office of the City Clerk with the Mayor's signature of approval.)

STRIKEOUT ORDINANCE

OLD LANGUAGE: ~~Struck-Out~~

NEW LANGUAGE: Double Underline

AN ORDINANCE AMENDING CHAPTER 3, ARTICLE 4,
DIVISION 1 OF THE SAN DIEGO MUNICIPAL CODE BY
AMENDING SECTION 34.0112 REGARDING THE CITY'S
CANNABIS BUSINESS TAX.

§34.0112 Amount of Business Tax Owed

- (a) Every *Operator* engaged in *Cannabis Business* in the City shall pay a
Cannabis Business Tax at a rate of up to 15 percent of *Gross Receipts*.
~~Commencing on December 12, 2016, the *Cannabis Business Tax* rate shall
be five percent of *Gross Receipts*.~~
- (b) [No change in text.]
- (c) Commencing on ~~July 1, 2019~~ May 1, 2025, except as set forth in
subsection 34.0112(d), the *Cannabis Business Tax* rate shall be set at ~~eight~~
ten percent of *Gross Receipts* unless the City Council, by ordinance, takes
action to set a different tax rate, not to exceed 15 percent of *Gross*
Receipts.
- (d) [No change in text.]

DLP:jdf
02/24/2025
Or.Dept: City Treasurer
Doc. No.: 3972071

Passed by the Council of The City of San Diego on MAR 25 2025, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Joe LaCava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jennifer Campbell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stephen Whitburn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry L. Foster III	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marni von Wilpert	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kent Lee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Raul A. Campillo	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Vivian Moreno	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sean Elo-Rivera	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage APR 03 2025

AUTHENTICATED BY:

TODD GLORIA
Mayor of The City of San Diego, California.

DIANA J.S. FUENTES
City Clerk of The City of San Diego, California.

(Seal)

By Kristell Medina, Deputy
for Connie Patterson

I HEREBY CERTIFY that the foregoing ordinance was not finally passed until twelve calendar days had elapsed between the day of its introduction and the day of its final passage, to wit, on

MAR 10 2025, and on APR 03 2025

I FURTHER CERTIFY that said ordinance was read in full prior to passage or that such reading was dispensed with by a vote of five members of the Council, and that a written copy of the ordinance was made available to each member of the Council and the public prior to the day of its passage.

DIANA J.S. FUENTES
City Clerk of The City of San Diego, California.

(Seal)

By Kristell Medina, Deputy
for Connie Patterson

Office of the City Clerk, San Diego, California
Ordinance Number O- <u>21935</u>