Ordinance amending the Business and Tax Regulations Code to suspend the imposition of the Cannabis Business Tax through December 31, 2021; beginning January 1, 2022, to increase the exemption of gross receipts attributable to the City from cannabis business activities, from the first $500,000 to the first $1,000,000; and also beginning January 1, 2022, to increase the upper range of gross receipts attributable to the City from cannabis business activities subject to the 2.5% tax rate on gross receipts from retail sales and the 1% tax rate on gross receipts from other than retail sales, from $1,000,000 to $1,500,000.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The Business and Tax Regulations Code is hereby amended by revising Section 3003 of Article 30, to read as follows:

SEC. 3003. IMPOSITION OF TAX.

(a) Except as otherwise provided in this Article 30, for the privilege of engaging in Cannabis Business Activities in the City, the City imposes an annual Cannabis Business Tax
on each person engaged in business in the City that receives gross receipts from Cannabis
Business Activities attributable to the City.

(b) The Cannabis Business Tax shall be calculated in the following manner:

(1) The person or combined group’s first $1,000,000 of gross receipts attributable to the City from Cannabis Business Activities shall be exempt from the Cannabis Business Tax.

(2) The person or combined group’s gross receipts attributable to the City from the Retail Sale of Cannabis or Cannabis Products, including the amount exempt under Section 3003(b)(1), shall be multiplied as follows:

(A) by 2.5% for gross receipts in excess of the amount exempt under Section 3003(b)(1) and up to and including $1,500,000; and

(B) by 5% for gross receipts over $1,500,000.

(3) The person or combined group’s gross receipts attributable to the City from all Cannabis Business Activities other than the Retail Sale of Cannabis or Cannabis Products, including the amount exempt under Section 3003(b)(1), shall be multiplied as follows:

(A) by 1% for gross receipts in excess of the amount exempt under Section 3003(b)(1) and up to and including $1,500,000; and

(B) by 1.5% for gross receipts over $1,500,000.

(4) The Board of Supervisors may from time to time by an ordinance adopted by at least two-thirds of the members of the Board increase one or more of the rates provided for in Sections 3003(b)(2) and 3003(b)(3), except that no rate may increase more than 1% annually and no rate may exceed 7%. The Board of Supervisors may from time to time by an ordinance adopted by a majority of the members of the Board decrease one or more of the rates provided for in Sections 3003(b)(2) and 3003(b)(3). Any such adjustments in this Section 3003(b)(4) shall be effective no sooner than the tax year following the tax year in
which the ordinance adjusting the rate is effective. The Controller shall prepare and submit a
market analysis and impact report to the Board before the Board adjusts any tax rate under
this Section 3003(b)(4).

(5) If a person or combined group has gross receipts attributable to the City
from the Retail Sale of Cannabis or Cannabis Products and from Cannabis Business Activities
other than the Retail Sale of Cannabis or Cannabis Products, the person or combined group’s
Cannabis Business Tax shall be determined as follows:

(A) The person or combined group’s taxable gross receipts shall be
determined on an aggregate basis first for gross receipts attributable to the City from
Cannabis Business Activities other than the Retail Sale of Cannabis or Cannabis Products,
and then for gross receipts attributable to the City from the Retail Sale of Cannabis or
Cannabis Products;

(B) The $1,000,000 exemption in Section 3003(b)(1) shall be
applied first to gross receipts attributable to the City from Cannabis Business Activities other
than the Retail Sale of Cannabis or Cannabis Products, with any remaining portion of the
exemption then applied to gross receipts attributable to the City from the Retail Sale of
Cannabis or Cannabis Products;

(C) The rates applicable under Section 3003(b)(2) shall be determined
by applying the rate scale commencing with the gross receipts attributable to the City from
Cannabis Business Activities other than the Retail Sale of Cannabis or Cannabis Products;

and

(D) The Cannabis Business Tax for the person or combined group shall
be the sum of the liabilities calculated under Sections 3003(b)(2) and 3002(b)(3), determined
in accordance with Sections 3003(b)(5)(A), 3003(b)(5)(B), and 3003(b)(5)(C).
(c) The imposition of the Cannabis Business Tax under this Section 3003 shall be suspended for
the 2021 tax year.

Section 2. Effective Date. This ordinance shall become effective 30 days after
enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
of Supervisors overrides the Mayor’s veto of the ordinance.

Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
additions, and Board amendment deletions in accordance with the “Note” that appears under
the official title of the ordinance.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: /s/ __________________
KERNE H. O. MATSUBARA
Deputy City Attorney

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Ordinance amending the Business and Tax Regulations Code to suspend the imposition of the Cannabis Business Tax through December 31, 2021; beginning January 1, 2022, to increase the exemption of gross receipts attributable to the City from cannabis business activities, from the first $500,000 to the first $1,000,000; and also beginning January 1, 2022, to increase the upper range of gross receipts attributable to the City from cannabis business activities subject to the 2.5% tax rate on gross receipts from retail sales and the 1% tax rate on gross receipts from other than retail sales, from $1,000,000 to $1,500,000.

November 04, 2020 Budget and Finance Committee - RECOMMENDED

November 10, 2020 Board of Supervisors - PASSED ON FIRST READING
   Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

November 17, 2020 Board of Supervisors - FINALLY PASSED
   Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

File No. 201009

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 11/17/2020 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

Date Approved

11.25.20