



State Board of Equalization

# News Release

**Vice Chairperson Jerome E. Horton**

**4<sup>th</sup> District – Los Angeles**

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## **Tax Board Vice Chairperson Jerome Horton Proposes Taxing Marijuana Manufacturers**

California State Board of Equalization Vice Chairperson Jerome E. Horton today proposed a state law that would require manufacturers and distributors of marijuana for sale to register with the Board of Equalization, pay a fee, pre-pay a portion of the sales tax and pay an excise tax.

Senator Ron Calderon (D-Montebello) plans to introduce the legislation in the extraordinary budget session.

Although some dispensaries have obtained seller's permits, according to the Board of Equalization there is widespread noncompliance resulting in millions of dollars of lost revenue.

“There is a clear indication that many dispensaries are intentionally evading their taxes, distributing illegal products and may be laundering illegally acquired money,” said Mr. Horton.

Under the current California Revenue and Taxation Code and applicable regulations, medical marijuana dispensaries are treated the same as other businesses making sales of tangible personal property. The sales of marijuana are subject to sales tax.

“My legislation does not legalize the sale of marijuana beyond the currently legal medical marijuana dispensaries. But it will better control legal distribution and help law enforcement crack down on illegal sales while generating upwards of \$1.8 billion for California, badly needed money to help relieve our \$20 billion deficit and mitigate the impacts of illegal marijuana sales,” states Senator Calderon.

As a member of the California State Assembly, Mr. Horton authored similar legislation to control the illegal sales of cigarettes. This legislation resulted in the removal of tons of illegal cigarettes from the streets and generated millions in new tax revenue. Mr. Horton's legislation, the California Cigarette and Tobacco Products Licensing Act (AB 71, Ch 890 Stats 2003), also strengthened controls over sales to minors and established a fee for administration. His newest proposal also creates a sales tax pre-payment system is similar to the currently required tax prepayment on diesel fuel.

Horton has asked the Board of Equalization to enhance its current enforcement efforts to identify, register, and bring into compliance dispensaries of marijuana, both legal and illegal. His concerns relate to manufacturers and distributors selling the product illegally through the existing distribution mechanisms.

According to the Board of Equalization, ordinary tax enforcement methods are not sufficient to obtain compliance from illegal operations. Illegal marijuana operations are generally mobile with no fixed business location. Operators of these businesses may also be involved in sales of other illegal drugs, have gang affiliations, and may be armed. Coordinating with law enforcement is key to any successful efforts at tax compliance.

Horton said, "We must create a system that distinguishes legal marijuana from illegal product, ensures sales and use tax compliance and protects consumers, particularly our youth. No one should be offended by our efforts to tax criminals and level the playing field for legitimate operators."

The Board of Equalization has estimated total gross annual sales of marijuana to be \$1.3 billion. This estimate does not include illegal sales. A report by a pro-legalization group issued in 2006, relying on 2005 U.S. State Department statistics, estimated the nation-wide market value of locally grown marijuana to be \$35 billion, of which \$13.8 billion was attributable to California.

Vice Chairperson Jerome E. Horton is the 4th District Member of the State Board of Equalization, representing more than 8.5 million residents in Los Angeles County. He is also chairs the Board's Legislative Committee. Mr. Horton is the first African American to serve on the BOE since its inception in 1879 and the third African American constitutional officer in California's history. Mr. Horton was appointed by the Governor and confirmed by both the Assembly and the Senate in 2009. Mr. Horton previously served as an Assembly member from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit [www.taxes.ca.gov](http://www.taxes.ca.gov).

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