



SEN. GEORGE RUNNER (RET.)

VICE CHAIR
STATE BOARD OF EQUALIZATION
CALIFORNIA'S TAX BOARD

August 3, 2015

Senator Bob Huff
Senate Minority Leader
State Capitol, Room 305
Sacramento, CA 95814

Dear Senator Huff:

As you are well aware, there are a number of pending legislative measures aimed at establishing a long overdue regulatory structure for medical marijuana. One of these measures proposes an excise tax, which requires a two-thirds vote of the Legislature.

I encourage you and other Republican lawmakers to engage on this issue for the sake of good tax policy. I believe we can in good conscience support an excise tax on medical marijuana, but the legislation should meet the following key conditions:

1. **Users pay** – Any tax on marijuana worthy of Republican support should serve as a means of requiring retailers to pay their fair share. This will combat the adverse impacts of the industry. As a matter of taxpayer equity, the medical marijuana industry and its end users—rather than ordinary California taxpayers—should pay the costs of combatting marijuana-related crimes and other externalities.
2. **Revenue is protected** – To ensure the new tax will actually be used as intended, all revenue must be dedicated to the fight against crime, corruption and property damage caused by the rampant spread of unregulated marijuana grows throughout the state. The funding for this measure should not be subject to the budget process. Rather, lawmakers should authorize a continuous appropriation to special funds established for the bill's specific purposes to ensure dollars are not redirected to the General Fund.
3. **Amount is reasonable** – The new tax must be set at a reasonable level to avoid unintended consequences. Over-taxation would lead to an expanded illicit market, undermining ongoing efforts to move industry participants into greater compliance with California's health, safety and tax laws.

To be clear, I oppose legalizing recreational marijuana. Nor do I typically support new taxes. Californians are overtaxed and over-regulated. Government is already too big, too wasteful and far too intrusive.

Even so, government exists for a reason. We as a society have agreed that certain shared priorities like police, schools and roads should be a government priority. Taxes provide funding for these shared priorities.

At this time, all medical marijuana sales are subject to sales tax, so that tax issue is settled. Different than a sales tax, excise taxes are imposed on a specific good, typically at the wholesale or distributor level. The Board of Equalization currently collects excise taxes on alcohol, cigarettes and tobacco products, but not on marijuana.

A growing number of leaders in California's cannabis community agree and support legislative measures aimed at finally creating a needed regulatory and tax structure. These leaders recognize the need for clear rules to govern their industry in order to curb crime and corruption.

In one sense, everyone in the cannabis industry is violating the law since marijuana remains illegal under federal law. I've personally spoken with federal law enforcement officials who want California to bolster its efforts to address the unintended consequences of legalizing marijuana for medical use at the state level almost 19 years ago.

The U.S. Department of Justice has called for states with legalized medical or recreational marijuana to establish strong state regulatory and enforcement structures. These state and local efforts will help the federal government direct its limited resources to the most significant threats, like criminal enterprises, gangs or cartels operating on public lands.

There's no question California needs greater enforcement of its laws in areas of the state plagued by illegal marijuana grows and trafficking. Federal, state and local law enforcement agree. Even leaders in the cannabis industry agree.

The question is who should pay for these new enforcement efforts? I think the cannabis industry and its users should, not California taxpayers who do not use marijuana.

Sincerely,

A handwritten signature in blue ink, appearing to read 'G. Runner', with a stylized flourish at the end.

GEORGE RUNNER
1st District