Assembly Bill 567 (Gipson)
Date: 06/15/16
Program: Sales and Use Tax
Sponsors: BOE Member Horton
BOE Position: Support
Part 13.5 (commencing with Section 31001) of the Revenue and Taxation Code
Effective 01/01/17

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REVISED ANALYSIS

Updates the Cost section to incorporate estimated costs

This analysis only addresses the provisions that impact the Board of Equalization (BOE)

Summary: Among other things, requires the BOE and Employment Development Department (EDD) to administer a tax penalty amnesty program for medical cannabis-related businesses for a three-month period beginning July 1, 2017 through September 30, 2017.

Summary of Amendments. The amendments since the previous analysis make technical, non-substantive corrections.

Purpose: To encourage medical marijuana dispensaries to come forward and begin to comply with the tax laws.

Fiscal Impact Summary: Depending on the participation rate, estimated one-time revenue increase of $52.8 million (50% compliance); $79.2 million (75% compliance); or $105.6 million (100% compliance).

Existing Law: California's Sales and Use Tax Law.[1] Existing law imposes the sales tax on all retailers for the privilege of selling tangible personal property at retail in this state, except where the law specifies an exclusion or exemption. Therefore, under the law, sales tax applies to retail sales of marijuana, including medical marijuana, to the same extent as any other retail sale of tangible personal property.

Under the law, every person engaged in the business of selling tangible personal property of a kind the gross receipts from the retail sale of which are subject to tax is required to apply to the BOE for a permit on a form prescribed by the BOE. Wholesalers, as well as retailers, must obtain a permit. Under the law, a person that engages in business as a seller in this state without a seller's permit, and each officer of any corporation that so engages in business, is guilty of a misdemeanor.

Under current law, any person who fails to pay tax to the state by the due date of that tax shall be assessed interest at the modified adjusted rate per month from the date the tax became due and payable to the state until the date of payment.

There are also an array of penalties that are imposed under a variety of provisions of the Sales and Use Tax Law. These penalties, as applicable to dispensaries, are as follows:

- For late payments generally, a penalty of 10% of the amount of all unpaid taxes added to any tax not paid in whole or in part within the time required by law.
- Any person who fails to file a timely return is required to pay a penalty of 10% of the amount of taxes, exclusive of prepayments, with respect to the period for which the return is required.
- For prepayments (taxpayers with taxable sales in excess of $17,000 per month are required to make two prepayments of the tax during each quarter) the following penalties apply:

[1] Part 1, Division 2 of the Revenue and Taxation Code (RTC) (commencing with Section 6001).

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  - Taxpayers who fail to make a prepayment before the last day of the monthly period following the quarterly period in which the prepayment became due and who files a timely return and payment for that quarterly period is required to pay a penalty of 6% of the amount of prepayment, as specified, for each of the periods during that quarterly period for which a required prepayment was not made.
  - Taxpayers who fail to make a timely prepayment, but who makes the prepayment before the last day of the monthly period following the quarterly period in which the prepayment became due, is required to pay a penalty of 6% of the amount of the prepayment.
  - If any part of a deficiency in prepayment is due to negligence or intentional disregard of the Sales and Use Tax Law or authorized regulations, a penalty of 10% of the deficiency is required to be paid.
- Any person remitting taxes by electronic funds transfer is required to, on or before the due date of the remittance, file a return for the preceding reporting period in the form and manner prescribed by the Board. Any person who fails to timely file the required return is required to pay a penalty of 10% of the amount of taxes, exclusive of prepayments, with respect to the period for which the return is required.
- A penalty of 10% of the amount of the tax specified in a determination is added to deficiency determinations if any part of the deficiency for which the determination is imposed is due to negligence or intentional disregard of the law.
- A penalty of 25% of the amount of the tax specified in a deficiency determination is added in the case of a determination for failure to file a return, if that failure is due to fraud or an intent to evade the law.
- A penalty of 50% applies to the taxes imposed upon any person who, for the purpose of evading the payment of taxes, knowingly fails to obtain a valid permit prior to the date in which the first tax return is due. The 50% penalty applies to the taxes determined to be due for the period during which the person engaged in business in this state as a seller without a valid permit and may be added in addition to the 10% penalty for failure to file a return. However, the 50% penalty does not apply if the taxable sales or purchases over the period during which the person was engaged in business without a valid permit averaged $1,000 or less per month.
- A penalty of 10% of the amount of the tax specified in the determination shall be added to any determination not paid within the time required by law.
- A penalty of 10% applies to the taxes imposed upon any person who knowingly issues a resale certificate for personal gain or to evade the payment of taxes while not actively engaged in business as a seller. The penalty is 10% of the amount of tax or $500, whichever is greater, if the purchase is made for personal gain or to evade payment of taxes.

Current law provides different statutes of limitations for various circumstances. Generally, the statute of limitations is 3-years from the date the return is due or filed, whichever is later. In the event no return has been filed, the statute of limitations is 8-years from the date the return was due. If the taxpayer is guilty of fraud or intent to evade the tax, the statute of limitations is indefinite.

Under existing law, the BOE administers a voluntary disclosure program for certain out-of-state retailers, as authorized under RTC Sections 6487.05 and 6487.06. Under these sections, unregistered out-of-state retailers and California purchasers may voluntarily register with the BOE and may be able to limit their liability for tax, penalties and interest due. Ordinarily, if the BOE finds that an out-of-state retailer is liable for tax on its sales to California consumers, or a California purchasers owes use tax on its untaxed purchases, and that out-of-state retailer or California purchaser failed to file sales and use tax returns and report that tax, the law allows the BOE to issue a deficiency determination for tax, interest, and penalties owned as long ago as 8 years. Under the voluntary disclosure program, if an out-of-state retailer qualifies, its liability for past tax obligations would be limited to the previous 3 years and relief of penalties may be provided.

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Federal Law. Existing federal law prohibits the manufacture, possession, sale or distribution of marijuana.[2] Congress enacted the Controlled Substances Act[3] (CSA) as part of the Comprehensive Drug Abuse Prevention and Control Act of 1970. The CSA establishes five "schedules" of certain drugs and other substances designated "controlled substances."[4] For a drug or other substance to be designated as a schedule I controlled substance, it must be found that the substance "has a high potential for abuse," have "no currently accepted medical use in treatment in the United States," and "lack accepted safety for use of the drug or other substance under medical supervision."[5] Federal law lists marijuana as a schedule I controlled substance, deemed to have no accepted medical use.[6]

Medical Marijuana Regulation and Safety Act (MMRSA).[7] Under existing law, the MMRSA establishes the Bureau of Medical Marijuana Regulation (Bureau) within the DCA to oversee and enforce the state's medical marijuana regulations, in collaboration with the California Department of Public Health and the California Department of Food and Agriculture. Additionally, it establishes categories of licenses for various medical marijuana activities, such as cultivation, manufacturing, distribution, transportation, and sale.

California's Medical Marijuana Program. Under existing law, the California Uniform Controlled Substances Act[8] prohibits, except as authorized by law, the possession, cultivation, transportation, and sale of marijuana and derivatives of marijuana. Existing law authorizes, under The Compassionate Use Act of 1996 (Proposition 215 of 1996), a patient or the patient's primary caregiver to cultivate or possess marijuana for the patient's medical use when recommended by a physician, as specified.[9]

Proposed Law: Among other things, this bill adds Article 2.1 (commencing with Section 7077) to Chapter 8 of the Sales and Use Tax Law, titled **Medical Cannabis Tax (MCT) Amnesty**.

The MCT Amnesty requires the BOE to develop and administer a tax penalty amnesty program for qualified taxpayers. The MCT Amnesty defines the following terms:

- "Qualified taxpayer" means a seller that is a medical cannabis-related business.
- "Medical cannabis-related business" means a person that engages in the sale of cannabis for medical purposes to qualified patients or the primary caregivers of qualified patients pursuant to the Compassionate Use Act of 1996 or the Medical Marijuana Program.[10]

The MCT Amnesty requires a sales and use tax penalty amnesty program for a 3-month period beginning July 1, 2017, through September 30, 2017, inclusive. The sales and use tax MCT Amnesty program applies to tax liabilities due and payable for tax reporting periods beginning before January 1, 2015.

The MCT Amnesty program applies to any qualified taxpayer who during the amnesty period files an application for tax penalty amnesty and, within 60 days after the conclusion of the amnesty period, does all of the following:

- Files completed tax returns reporting the non-reported or underreported tax liabilities for all tax reporting periods for which amnesty is being applied.
- Pays in full the taxes and interest due for each period for which amnesty is requested, or applies for an installment agreement.

Qualified taxpayers may request to enter into an installment payment agreement, which includes interest on the outstanding amount due, in lieu of full payment. Failure by the qualified taxpayer to fully comply with the terms of the agreement renders the waiver of penalties null and void, unless the BOE

[2] 21 U.S.C. § 841 et seq.
[3] 21 U.S.C. § 801 et seq.
[4] 21 U.S.C. §§802(6), 812(a).
[5] 21 U.S.C. § 812 (b)(1).
[6] 21 U.S.C. § 812:Schedule I(c)(10).
[7] Chapter 3.5 (commencing with Section 19300) of Division 8 of the Business and Professions Code.
[8] Division 10 (commencing with Section 11000) of the HSC.
[9] HSC Section 11362.5.
[10] Article 2.5 (commencing with Section 11362.7) of Chapter 6 of Division 10 of the HSC.

determines that the failure was due to reasonable cause, and the total amount of tax, interest, and all penalties become due and payable immediately.

The MCT Amnesty program requires the BOE to waive all penalties imposed under the Sales and Use Tax Law, for the tax reporting periods for which tax penalty amnesty is requested, that are owed as a result of the non-reporting or underreporting of tax liabilities. Additionally, the MCT Amnesty program prohibits any criminal action brought against the qualified taxpayer based on the non-reporting or underreporting of tax liabilities for the tax reporting for which tax penalty amnesty is requested. However, these provisions do not apply to the nonpayment of any taxes for which a notice of determination has previously been issued. These provisions also do not apply to Sales and Use Tax Law violations, to which, as of the first day of the amnesty period, either of the following applies:

- The qualified taxpayer is on notice of a criminal investigation by a complaint having been filed against the qualified taxpayer or by written notice having been mailed to the qualified taxpayer that the qualified taxpayer is under criminal investigation.
- A court proceeding has already been initiated.

The MCT Amnesty program provides that no refund or credit shall be granted of any penalty paid prior to the time the qualified taxpayer makes a request for tax penalty amnesty.

If the BOE issues a notice of determination upon a return filed pursuant to the amnesty program after the amnesty period completion, the BOE may impose penalties, and criminal action may be brought under the Sales and Use Tax Law only with respect to the difference between the amount shown on that return and the correct amount of tax. This action shall not invalidate any waivers granted.

MCT Amnesty Miscellaneous. The MCT Amnesty program requires an application to be in the form and manner specified by the BOE. In no case shall a mere payment of any taxes and interest due, in whole or in part, for any period otherwise eligible for amnesty, be deemed to constitute an acceptable amnesty application. Furthermore, a refund application from one period to offset a tax liability for another period otherwise eligible for amnesty shall not be allowed without the filing of an amnesty application.

The MCT Amnesty program requires the BOE to issue forms and instructions and take other actions needed to implement the program.

The program further requires the BOE to adequately publicize the MCT Amnesty program so as to maximize public awareness of, and participation in, the program. The board shall coordinate to the highest degree possible its publicity efforts and other actions taken in implementing the MCT Amnesty program with similar programs administered by the EDD.

Failure to Participate. The MCT Amnesty program requires the BOE to refuse to issue a permit to any person or revoke a seller's permit issued for any person that is both of the following:

- Eligible to participate in the tax penalty amnesty program, but does not participate in the amnesty program.
- Engaged in retail sales of medical cannabis in this state that would have been eligible to participate in the tax penalty amnesty program as a medical cannabis-related business.

Notwithstanding any other law, the MCT Amnesty program requires the DCA to revoke or refuse to issue, reinstate, or renew a qualified taxpayer's state license who is eligible to participate in the tax penalty amnesty program, but does not participate in the amnesty program, and that does any of the following:

- Fails to register with the BOE.
- Has a seller's permit revoked pursuant to the MCT Amnesty program (RTC Section 7077.6).
- Reports a gross understatement of tax. A "gross understatement of tax" means a deficiency that is in excess of 25% of the amount of tax reported on a qualified taxpayer's return filed pursuant to Article 1 (commencing with Section 6451) of Chapter 5.

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Revocation or refusal to issue, reinstate, or renew a state license shall not be effective unless the DCA, at least 60 days before the date of revocation or refusal, mails a notice to the qualified taxpayer that indicates that the license will be refused or revoked by that date.

The bill defines a "state license" to include a license issued for any activity of a cannabis-related business.

This bill also amends and renumbers the Managed Audit Program provisions within the Sales and Use Tax Law.

This bill becomes effective January 1, 2017.

Background: In 1984, AB 3230 (Hannigan et al.), Chapter 1490, Statutes of 1984, imposed an amnesty program that waived penalties and criminal sanctions for taxpayers who had not properly complied with reporting and payment requirements under the Sales and Use Tax Law and the Personal Income Tax Law but who came forward during the amnesty period to file proper returns and make proper payments (including accumulated interest). The 1984 tax amnesty program was enacted as a "one-time-only" program that was linked to law changes, which strengthened both the BOE's and the FTB's enforcement tools and penalties immediately after the amnesty program's expiration. This 94-day amnesty program began December 10, 1984 and ended March 15, 1985.

In 2004, SB 1100 (Ch. , Stats, 2004) required the BOE and the FTB to administer a tax penalty amnesty program for a 2-month period beginning February 1, 2005 and ending March 31, 2005, or any other 2-month period ending June 30, 2005. With respect to BOE-administered taxes, the amnesty program applied only to the sales and use tax program.

In 2007 and 2008, Senator Migden amended SB 529 and introduced SB 1098, respectively, to provide amnesty for unpaid tax, interest and penalties on any tangible personal property sales by a medical cannabis dispensary. SB 529 was gutted amended on July 11, 2007, to remove the amnesty provisions. SB 1098 failed to pass from the Senate Revenue and Taxation Committee.

In General: Medical Marijuana Sellers – Sales Tax. In 1996, California voters passed Proposition 215, also known as the Compassionate Use Act of 1996, which allows patients and their primary caregivers to cultivate or possess marijuana for personal medical treatment with the recommendation of a physician, as specified.

In 2003, Senate Bill 420 (Ch. 875, Stats. 2003, Vasconcellos) was enacted to establish statewide guidelines for Proposition 215 enforcement. In particular, SB 420 clarified that nonprofit distribution is allowed in certain cases for patient cultivation cooperatives, small-scale caregiver gardens, and dispensing collectives. However, despite the fact that numerous medical marijuana dispensaries currently do business in California, the sale of medical cannabis is illegal under federal law.

On August 29, 2013, the U.S. Department of Justice issued guidance to federal prosecutors regarding cannabis enforcement under the CSA (referred to as the Cole Memo)[11]. The Cole Memo reiterated the Department's commitment to enforcing the CSA consistent with Congress' determination that cannabis is a dangerous drug that serves as a significant source of revenue to large-scale criminal enterprises, gangs, and cartels. In furtherance of those objectives, the Cole Memo instructed the Department attorneys and law enforcement to focus on the following eight priorities in enforcing the CSA against cannabis-related conduct:

- Preventing the distribution of marijuana to minors;
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;

[11] http://medicalmarijuana.procon.org/sourcefiles/cole-DOJ-memo-aug-2013.pdf.

- Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of marijuana;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
- Preventing marijuana possession or use on federal property.

Under the Cole Memo, whether marijuana-related conduct implicates one or more of these enforcement priorities should be the primary question in considering prosecution under the CSA. Although the guidance was issued in response to recent marijuana legalization initiatives in certain states, it applies to all Department marijuana enforcement nationwide.

On December 16, 2014, Public Law 113-235[12] became operative which prohibits the United States Department of Justice from using funds to prevent specified states, including California, from implementing state laws that authorize the use, distribution, possession, or cultivation of medical marijuana.

The sale of medical marijuana[13] is taxable. The BOE issues seller's permits to those medical marijuana sellers that apply and will issue seller's permits to any other sellers making unlawful sales.

In 2007, the BOE mailed a special notice to California sellers of medical marijuana to clarify the application of tax to medical marijuana sales and the requirement that they must hold a seller's permit.

Commentary:

1. **The June 15, 2016 amendments** are technical, non-substantive corrections. The **May 24, 2016 amendments** (1) removed revisions to the Uniform Controlled Substances Act related to license suspension for a dispensary that employs any person under 21 years of age or allows a qualified patient to arrange for third party deliveries; (2) removed all references to the Franchise Tax Board; (3) specified the DCA as the appropriate licensing authority for license issuance, restatement, or renewal; (4) removed references to local licensing; (5) revised the amnesty period to a 3 month period beginning July 1, 2017 and ending September 30, 2017, and applying to qualified tax liabilities due and payable for tax reporting periods before January 1, 2015; and (6) added "medical" before all references to "cannabis-related business."

2. **Would dispensaries come forward?** The legislature passed and the governor signed into law the MMRSA to create a licensing and regulatory framework for medical marijuana; however, the DCA is in the early stages of establishing the Bureau of Medical Marijuana Regulation. The DCA anticipates medical marijuana regulation development to be completed by January 1, 2018. Until a robust regulatory and enforcement system is operative (the MMRSA), California dispensaries may be vulnerable to federal enforcement activity. Regardless of the benefits of amnesty and, conversely, the consequences for failing to participate in the program, there will be those who won't come forward for fear of self-incrimination resulting in punitive measure from the federal government.

3. **Failure to participate.** If a dispensary fails to come forward by September 30, 2017, as specified in the bill, that dispensary could be held liable for past tax liabilities for up to eight years, together with interest and penalties. In addition, the BOE must refuse to issue a seller's permit or revoke that person's seller's permit. If a qualified taxpayer has their seller's permit revoked, fails to register with the BOE, or reports a gross understatement of tax, the DCA must revoke or refuse to issue, reinstate, or renew a **state license** of that taxpayer. A "state license" includes a license issued for any cannabis-related business activity.

[12] H.R. 83 / Public Law 113-235, Consolidated and Further Continuing Appropriations Act, 2015, (Dec. 16, 2014; 128 Stat. 2130; 701 pages)
[13] All retail sales, including illegal sales, are subject to tax.

4. **Persons who come forward would be identified as a medical cannabis-related business.** Up until late 2005, the BOE's longstanding policy was to not issue a seller's permit to a person whose sole selling activity was the sale of unlawful tangible personal property, so as not to confer permissive authority or condone an illegal activity. However, although it was BOE policy not to issue seller's permits, the sale of medical marijuana has always been considered taxable.

   In October 2005, the BOE changed its policy after hearing a case that came before the Members of the BOE involving medical marijuana sales. The BOE recognized the difficulty in reconciling its authority to issue assessments for taxes due from a seller's marijuana sales while, at the same time, not issuing seller's permits to such sellers, and also took into account the legality under state law of some sales of marijuana as authorized in SB 420. Now the BOE issues seller's permits to those medical marijuana sellers that apply and will issue seller's permits to any other sellers making unlawful sales. However, the BOE does not require medical marijuana sellers identify their business type when registering for a seller's permit.

   This bill provides tax penalty amnesty for medical cannabis-related businesses. Medical marijuana sellers that (1) hold a seller's permit, (2) did not identify to the BOE their business type, and (3) have no unreported or underreported tax liabilities, will remain anonymous within the BOE's records since they will not participate in the MCT Amnesty program. However, medical marijuana sellers that participate in the tax penalty amnesty program will be separately identified in the BOE's records as a medical cannabis-related business for MCT Amnesty program purposes.

   The risks associated with federal prosecution may far outweigh the benefit this tax amnesty measure has to offer, and dispensaries concerned with those risks may never come forward – especially with the understanding that they would be separately identified as a MCT Amnesty program participant.

   A separate identification allows the BOE, if requested, to readily share specific information about each dispensary with local law enforcement or the United States Attorney (the BOE has long-standing information-sharing agreements with various federal, state, and local government agencies, and pursuant to a Governor's Order, the BOE is authorized to share information with local law enforcement and the United States Attorney).

5. **Penalty amnesty not limited to medical marijuana.** Dispensaries may sell more than medical marijuana and medical marijuana products. For example, dispensaries may sell t-shirts, stickers, hats, pipes, electronic delivery devices, and other tangible personal property. The MCT Amnesty program applies to the seller, not the products sold. Should liabilities attributable to these taxable sales be included within the tax penalty amnesty provisions?

6. **Second chance.** The BOE implemented an amnesty program during February 1, 2005 and ending March 31, 2005 for sales and use tax liabilities due and payable for tax reporting periods beginning before January 1, 2003 (SB 1100 (Ch. 226, Stats. 2004)). This bill requires the BOE to conduct a tax penalty amnesty program for a 3-month period for tax liabilities due and payable for tax reporting periods beginning before January 1, 2015.

   The 2005 tax amnesty program applied to any sales and use tax taxpayer who met the participation requirements. This includes any medical cannabis-related business, which this bill only allows for tax penalty amnesty. Accordingly, this bill provides dispensaries that were in business before January 1, 2003, a second chance at tax penalty amnesty.

   However, the statute of limitations for most taxpayers eligible to participate in the 2005 tax penalty amnesty program has expired, unless that taxpayer is guilty of fraud or intent to evade the tax, in which case, the statute of limitations is indefinite.

Revised Costs: BOE costs related to this bill are substantial. These costs include taxpayer notification, amnesty application processing, return processing, computer programming, audit and collection tasks, and public inquiry responses. These costs are estimated to be substantial (over $1 million).

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The BOE staff understands amendments are pending to (1) provide a six-month amnesty period, (2) authorize (rather than require) the BOE to refuse or revoke a seller's permit for not participating in the amnesty program, and (3) allow the BOE to impose penalties at a rate that is double the rate of existing penalties for failure to participate during, or underreporting a tax liability pursuant to, the amnesty period. The costs related to these amendments are estimated to be $86,000 for Fiscal Year (FY) 2016-17; $23,000 for FY 2017-18; and $6,000 for FY 2018-19 through FY 2021-22.

Revenue Impact:

Background, Methodology, and Assumptions. Staff further analyzed data since the original analysis and removed duplicate accounts. The estimates are for fiscal year 2016-17, and reflect the December 31, 2016 expiration of the 0.25% tax rate imposed by Proposition 30.

Identifying the number of medical marijuana sellers registered with the BOE is challenging. However, Research and Statistics staff used a combination of public sector data, staff research and taxpayer records, local BOE district offices estimated medical marijuana sales and compliance. Staff assumes:

- There are about 1,623 dispensaries selling medical marijuana in California.
- The current noncompliance is estimated to be 66% of all dispensaries selling medical marijuana.
- The typical sales are about $613,000 per dispensary.
- The average statewide sales and use tax rate will be 8.34% in fiscal year 2016-17.

Staff made the following assumptions:

- While years of noncompliance are unknown, for revenue estimation purposes, staff assumes taxpayers will file for the most recent four quarters.
- Revenues associated with taxpayers applying for amnesty are calculated at 50%, 75%, and 100%.

Revenue Summary. Amnesty revenues associated with this bill are broken out based on participation rates of 50%, 75%, and 100%.

		Take-up Rate		
$65.7 Million Taxable Sales		50%	75%	100%
State General Fund	3.94%	$12,927469	$19,391,203	$25,854,938
Proposition 30 (Half-year)	0.125%	$410,396	$615,594	$820,792
Local Revenue 2011	1.06%	$3,488,365	$5,232,547	$6,976,729
Local Revenue 1991	0.50%	$1,641,583	$2,462,375	$3,283,167
Public Safety Fund	0.50%	$1,641,583	$2,462,375	$3,283,167
Bradley Burns	1.25%	$4,103,958	$6,155,938	$8,207,917
Special Districts	0.96%	$3,151,840	$4,727,760	$6,303,680
Total	8.34%	$27,365,194	$41,047,792	$54,730,389
Detail may not add to total due to rounding				

These revenues are one-time, not annual revenues. Staff notes that 100% compliance is highly unlikely.

Qualifying Remarks. These estimates are highly uncertain and vary greatly depending on the assumptions. Furthermore, staff continues to research the medical marijuana industry in California, and these estimates are subject to change to the extent that more accurate data is obtained. This revenue estimate does not account for any changes in economic activity that may or may not result from enactment of the proposed law.

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