



SEN. GEORGE RUNNER (RET.)

VICE CHAIR
STATE BOARD OF EQUALIZATION
CALIFORNIA'S TAX BOARD

July 3, 2015

Assembly Member Richard S. Gordon, Chair
Assembly Committee on Rules
State Capitol, Room 3016
Sacramento, CA 95814

RE: AJR 25 (LACKEY et al.) – RELATIVE TO CANNABIS BUSINESSES ▪ CO-SPONSOR ▪

Dear Assembly Member Gordon,

I am pleased to co-sponsor Assembly Joint Resolution 25 with my colleague, Board of Equalization Member Fiona Ma. AJR 25 calls upon the President and Congress to support legislation and policies that will enable banks and credit unions to provide financial services to medical cannabis-based businesses. It is an important step toward improving industry compliance with existing tax laws.

Nearly two decades ago, California voters approved Proposition 215—*the Compassionate Use Act of 1996*—making medical cannabis legal under state law. Even so, it remains illegal under federal law, meaning that banks and credit unions are unable to provide financial services to legitimate cannabis-based businesses. As a result, a predominantly cash-based industry has emerged, depriving California of tax revenue legally owed the state.

Since 2005, the Board of Equalization (BOE)—which is responsible for collecting state sales tax—has provided seller's permits to medical cannabis-based businesses. The BOE estimates that due to the lack of electronic bank records, millions of dollars in tax revenue goes uncollected every year. In response, Board Member Ma and I launched the *Cannabis Compliance Pilot Project* in January 2015 to assess the degree of tax compliance in the industry and identify the corresponding lost tax revenue.

As long as financial institutions are unable to provide access to their services, legitimate cannabis-based businesses will be unable to take advantage of bank accounts, debit or credit cards and business loans. They will continue to complete all business transactions in cash,

making audits nearly impossible. Not only does this reduce tax revenue, it is also a serious public safety concern.

Assembly Joint Resolution 25 asks the President and Congress to provide a comprehensive solution to ensure financial services for medical cannabis-based business. Allowing access to bank accounts will help improve public safety and bolster state efforts to collect tax revenue vital to improving roads and schools, investing in law enforcement and environmental protection, and providing access to other critical services. For these reasons, I urge you to support this joint resolution when it is heard before your committee.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Runner', written over a light blue horizontal line.

GEORGE RUNNER
1st District

cc: Assemblyman Lackey
Assemblywoman Chang
Curtis Vandermolen, Assembly Republican Caucus