



MALIA COHEN
馬莉亞郭嫻

San Francisco Ballot Simplification Commission
Department of Elections
San Francisco City Hall, Room 48

August 2, 2018

Dear Commissioner Packard and members of Ballot Simplification Commission,

Thank you for your dedicated work and service in this essential City function, and for your consideration of the Legislative Digest on the "Cannabis Business Tax" Initiative.

I respectfully request that you consider the following four changes to the Digest:

1. Language approved by Commission:

"The Board of Supervisors could annually decrease or increase each tax rate, subject to limits."

Please consider the following alternate language proposals:

- A. *The Board of Supervisors could decrease or increase each tax rate. No individual rate shall exceed 7%.*
- B. *The Board of Supervisors could decrease or increase each tax rate, up to a maximum rate of 7% in each category.*
- C. *The Board of Supervisors could decrease or increase each tax rate. Each rate is capped at 7%.*

Reason:

In California, following State Proposition 218 in 1996, tax rates must be approved by voters. The implication that the Board of Supervisors would have unchecked power to increase this tax rate is not only misleading, but unconstitutional. It is essential that the voters understand that they are voting on a maximum tax rate of 7% at each stage of the supply chain.

Secondly, the word "annually" implies that there is an annual review of the rate. There is no such review; rather, that term stems from one of the mentioned "limits." It is misleading to mention one, less important, limit in this context.

2. Language approved by Commission:

“The Board of Supervisors could annually decrease or increase each tax rate, subject to limits.”

Please consider the following alternate language proposals:

- A. *(The Board of Supervisors could decrease or increase each tax rate, up to a maximum rate of 7% in each category) and can only be increased by a two-thirds vote.*
- B. *The Board of Supervisors could decrease or increase each tax rate. Any rate increase requires a two-thirds vote, up to a maximum rate of 7% in each category.*

Reason:

For the reasons mentioned above, and given that legislative tax rate increases are uncommon, the limits on the taxing power of the Board of Supervisors is important to call out specifically. Voters should know the limitations and specifications of that power.

3. Language approved by Commission:

“Businesses with \$1 million or less in total gross revenue within San Francisco are generally exempt from the gross receipts tax. Some other businesses, including certain nonprofit organizations, banks and insurance companies, are also exempt.”

Please consider the following alternate language proposals:

- A. *Some other businesses, including certain nonprofit organizations, are also exempt.”*
- B. *Some other businesses are also exempt.*

Reason:

The stated opinion of the Commission was that the “banks and insurance companies” should be included to parallel the language in the “Our City Our Homes” gross receipts measure. While these exemptions are accurate, they do not represent the totality of business exemptions, and seem to be cherry-picked for reasons that are relevant only to “Our City Our Homes”.

“Banks and Insurance” exemptions are relevant to a gross receipts tax specifically on high-earning businesses in The City, given the high grossing nature of those industries. Mentioning the exemption seems considerably more arbitrary in a cannabis business measure, and should be struck unless all other exemptions are called out.

4. Language approved by Commission:

“• 2.5 percent on the first \$1 million of gross revenues from the retail sale of cannabis products;
• 5 percent on gross revenues over \$1 million from the retail sale of cannabis products;”

And

- The first \$500,000 of gross revenues from cannabis business activities;
- Revenues from the retail sale of medicinal cannabis;

Please consider the following language alternatives:

A. *2.5 percent on the first \$1 million of gross revenues from the retail sale of cannabis products, excluding medicinal cannabis sales*

Or

B. Reverse the order of the exemptions, such that they are displayed as follows:

- *Revenues from the retail sale of medicinal cannabis;*
- *The first \$500,000 of gross revenues from cannabis business activities;*

Reason

The retail medicinal cannabis exemption is an important patient protection in keeping with decades of voter-driven precedent. San Francisco’s Proposition P in 1991, followed by the state’s Proposition 215 in 1996, legally recognized the medicinal properties of cannabis. As such, it is important that the “medicinal” exemption be front and center; burying it, as this structure does, makes it seem more like a carve-out.

Thank you for your consideration and attention on this matter.

Sincerely,



Malia Cohen
President, San Francisco Board of Supervisors