

Cannabis State Legalization Task Force
April 11, 2018 – Meeting Minutes
Compassion Programs and Taxation
War Memorial Building Suite 125, San Francisco, CA 94102 | 1PM – 4PM

Task Force Proposed Goal

In Year III the Task Force will develop recommendations to inform local regulations, particularly in Local Ordinance policy areas that could benefit from further development and assessment.

Meeting Objectives

- Finalize compassion program recommendations
- Discuss local taxation

Meeting start time: 1:10pm

1. Welcome, Agenda Review and Announcements

- Jennifer Garcia, Task Force Co-Chair, Seat 20, welcomed everyone to the meeting and reviewed the agenda.
- Jenine Spotnitz, consultant, oriented Task Force members to meeting materials.

2. Compassion Program Recommendation Drafting Session

- Terrance Alan, Task Force Chair, Seat 19, led Task Force members in discussion to finish drafting and finalize Compassion Program recommendations.

3. Public Comment: Compassion Program Recommendations

- A member of the public expressed concern about encouraging the police to interact with people consuming medical cannabis in public, and noted that in the past this approach has not been good.
- A member of the public representing the San Francisco Cannabis Retailers Alliance requested support for a privately held compassion program that is funded by cannabis businesses. They stated that they would not need authorization to do it; it would be a private funding pool to buy products and give them away, which avoids the hurdle with permitting and the supply chain. They are working on it with a trade group and noted that it could be integrated with various compassion initiatives.

4. Finalize Compassion Program Recommendations

- This was accomplished in agenda item 3.

5. Spotlight Panel: Taxation

- Sarah Payan, Task Force Co-Chair, Seat 12, introduced the following panelists: Tamar Maritz, California Regional Director of BDS Analytics; Hezekiah Allen, Executive Director of California Growers Association, and Jay Liao, Assistant Citywide Revenue Manager of the Controller's Office. Panelists provided presentations regarding local and state cannabis taxation structures and taxation trends in other states.

6. Taxation Topic Discussion

- Terrance Alan, Task Force Chair, Seat 19, facilitated Q&A with spotlight panelists and Task Force members. Key points from the discussion included:

7. Public Comment: Taxation Discussion

- Bill Dezenzo, Taxnexus, announced a new business. He shared that taxes are out of control and that his company has created an API that will track all the sales and taxes. He stated that it is important that industry and government get on board with this, and his system makes it easy to pay.
- Aaron Flynn, representing the San Francisco chapter of the California Grower's Association, shared that there is a community of small craft producers in SF that want to say but are struggling due to taxes. He suggested exempting small craft producers from taxes, or looking at tiers. He shared that there is a misconception that business owners are wealthy, which makes it tempting to tax them. He urged the Task Force to help dispel this misconception, and explain that most non-retail businesses are small organizations.
- David Feng asked a question about the San Francisco Green Zone Map. He wanted to know whether the map includes existing shops around the green zone.
- Reese commented on two items. First, she shared that it's important to have consumption lounges. Second, she shared that taxes are killing her small business and that the illicit market is thriving. She shared that her friends can't buy from her due to increasing prices. She stated that she has been running her company for two years and still does not get paid.
- Ingrid Mezquita, First 5 San Francisco, represents the public entity that collects county and state tobacco tax revenue and has learned about taxes and business modeling, and urges that, instead of the business models informing public policy, that the Task Force should let public health and education policies and needs inform how the taxes are structured.
- AnnaRae Grabstein shared that she oversees compliance for production businesses, retail, and delivery, and echoed the importance of differentiating taxes between retail and production. Overly burdensome taxes will drive businesses out of the city and result in job losses, especially in production.
- Johnny del Plain, of the Cannabis Retailers Alliance, shared that IRS code 280(e) adversely affects the retail industry and asked the Task Force to outline this issue for the

Board of Supervisors. He stated that the code creates an unlevel playing field for retailers, and he urged the Task Force to address this in their recommendations.

8. Real Time Implementation Feedback

- Eugene Hillsman, Office of Cannabis, stated that implementation feedback will be gathered at the next Task Force meeting, and will be a standing agenda item at future meetings.

9. General Public Comment

- Stewart Atta, founder of the first cannabis tour company in San Francisco and a board member of the California Cannabis Tourism Association shared that his tour company will be open to businesses in about a month, at which point businesses can sign up for membership and promote themselves through the tourism sector.
- Derik Aoki, First 5 San Francisco, urged the Task Force to consider how their equity priority intersects with the tax allocation discussion.
- A member of the public shared that cannabis tourism is coming to San Francisco, and that it is important to address consumption. They stated that there are not enough places for consumption, and people will not know where to go. They added that tourists want to experience this together so they should provide a place for people to do that together. They noted that they are a mother of two and they think there are ways to build this.
- Hezekiah Allen, California Grower’s Alliance shared that he serves on the California Highway Patrol task force for roadway safety, and that the cannabis industry is at the table and talking with that task force about the importance of responsible consumption.

10. Wrap-Up and Next Steps

- Jenine Spotnitz, consultant, reminded the Task Force of the next meeting on May 9.

Meeting end time: 4:00pm

Meeting Materials

- Agenda
- Issue Briefing Document
- Draft Compassion Program Recommendation Document

Upcoming Task Force Meeting

DATE	TIME	LOCATION
May 9, 2018	1PM – 4PM	25 Van Ness Room 610

Members Present

Tomas Aragon

Marifi Esteves Reis

Maggie Weiland

Kasey O'Connor

Christopher Pepper (alternate for Erica
Lingrell)

Jesse Stout

Erich Pearson

Sara Payan

Duncan Talento Ley

Thea Selby

Barbara Fugate

Tom McElroy

Terrance Alan

Jennifer Garcia

Sarah Shrader

Kai Keli'iho'omalu