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December 8, 2015

Ashley Johansson, Initiative Coordinator
Office of the Attorney General
1300 "I" Street
Sacramento, CA 95814-2919

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INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

RE: Submission of Amendment to Statewide Initiative Measure
CANNABIS CONTROL AND TAXATION ACT, No. 15-0104

Dear Ms. Johansson:

Attached for filing please find the following documents in connection with the above-referenced ballot initiative measure.

1. The amended text of the California Cannabis and Taxation Act
2. A red-line version showing the changes made in the amended text.
3. A signed authorization from the proponent for the submission of the amended text together with a request that the Attorney General's Office prepare a circulating title and summary using the amended text.

Please continue to direct any inquiries regarding this request to me.

Very truly yours,



George W.M. Mull
Encl.

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December 8, 2015

Ashley Johansson, Initiative Coordinator
Office of the Attorney General
1300 "I" Street
Sacramento, CA 95814-2919

RE: Request to Prepare Title and Summary Using Amended Text
CANNABIS CONTROL AND TAXATION ACT, No. 15-0104

Dear Sirs:

On November 3, 2015, I, proponent George Mull, requested that the Attorney General prepare a title and summary for the CANNABIS CONTROL AND TAXATION ACT ("Initiative"). Pursuant to Elections Code section 9002(b), I hereby submit timely amendments to the text of the Initiative. As the proponent of the Initiative, I approve the submission of the amended text to the Initiative and declare that the amendment is reasonably germane to the theme, purpose and subject of the Initiative. I request that the Attorney General prepare a circulating title and summary using the amended Initiative text.

Very truly yours,



George W.M. Mull

CANNABIS CONTROL AND TAXATION ACT

The people of the State of California do enact as follows:

SECTION 1. TITLE.

This act shall be known, and may be cited, as the Cannabis Control and Taxation Act.

SECTION 2. STATEMENT OF GENERAL PURPOSE.

The people of the State of California declare their purpose and intent in enacting the Cannabis Control and Taxation Act to be all of the following:

1. To establish a fair and consistent statewide system for regulating, controlling and taxing cannabis activities by empowering the Board of Equalization and other state agencies to enact and enforce regulations governing the cultivation, processing, manufacturing, testing, transportation, distribution, and sale of cannabis and cannabis products.
2. To generate revenue for local governments and to increase funding for early childhood education, environmental protection and restoration, and pediatric cancer and spasticity research.
3. To ensure freedom of choice for all adult Californians by repealing existing laws that prohibit or punish cannabis and cannabis-related activities engaged in by persons 21 years of age and older.

SECTION 3. FINDINGS AND DECLARATIONS.

1. Cannabis prohibition unnecessarily criminalizes the activities of a substantial number of Californians.
2. Regulation of cannabis activities will ensure greater compliance with the State's generally applicable environmental, health and safety laws and reduce the number of nuisance cannabis grow sites.
3. Regulation and tracking of cannabis activities will greatly diminish the ability of drug-trafficking organizations, gangs and other criminals to profit from unlawful cultivation and sales.
4. Statewide possession, cultivation and commerce standards for persons 21 years of age and older will reduce youth access to cannabis and provide clarity for parents, schools and law enforcement.
5. The re-establishment of lawful cannabis and hemp agriculture in California will promote the economic health of the State by creating new jobs, new industries and new tax revenues.

SECTION 4. REGULATION OF CANNABIS.

Chapter 5.5 (commencing with section 11300) is hereby added to Division 10 of the Health and Safety Code, to read:

Chapter 5.5. REGULATION OF CANNABIS

11300. It being a matter of statewide concern, the State of California shall have the exclusive right and power to license and regulate the cultivation, manufacture, sale, purchase, possession, distribution and transportation of cannabis and cannabis products within the state.

11301. For purpose of this Chapter, the following terms shall have the following meanings:

(a) "Board" means the State Board of Equalization.

(b) "Cannabis" shall have the same meaning as marijuana as set forth in section 11018 of the Health and Safety Code as enacted by Chapter 1407 of the Statutes of 1972. For the purposes of this chapter, it does not include industrial hemp, as defined in Section 11018.5, or medical cannabis regulated pursuant to the Compassionate Use Act of 1996 (Section 11362.5 of the Health and Safety Code) or the Medical Marijuana Regulation and Safety Act (commencing at section 19300 of the Business and Professions Code).

(c) "Cannabis products" means any dried flower of the cannabis plant, any products containing cannabis, and any concentrated cannabis.

(d) (1) "Control" or "controlling" means possession, direct or indirect, of the power:

(A) To vote 25 percent or more of any class of the voting securities issued by a person.

(B) To direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract (other than a commercial contract for goods or non-management services), or otherwise provided; however, no individual shall be deemed to control a person solely on account of being a director, officer, or employee of such person.

(2) For purposes of subparagraph (B) of subsection (d)(1), a person who, directly or indirectly, owns, controls, holds, with the power to vote, or holds proxies representing 10 percent or more of the then outstanding voting securities issued by another person, is presumed to control such other person.

(3) For purposes of this chapter, the board may determine whether a person in fact controls another person.

(4) For purposes of this chapter, a person is an "affiliate" of, or a person is "affiliated" with, another specified person if it directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the other specified person.

(e) "Distributor" means a person who is engaged in the procurement, sale, or transport of cannabis and cannabis products purchased and sold between licensed entities.

(f) "License" means a license issued by the board pursuant to this chapter.

(g) "Licensee" means any person holding a license issued by the board pursuant to this chapter.

(h) "Manufacturer" means a cultivator of cannabis or manufacturer of cannabis products sold in this state.

(i) "Person" includes any individual, firm, partnership, joint venture, limited liability company, association, social club, fraternal organization, corporation, estate, trust, business trust, receiver, trustee, syndicate, this state, any county, city and county, municipality, district, or other political subdivision of the state, or any other group or combination acting as a unit.

(j) "Retailer" means a person who engages in this state in the sale of cannabis products directly to the public from a retail location and or by delivery.

(k) "Sale" or "sold" means any transfer of title or possession for a consideration, exchange or barter, in any manner or by any means whatever.

11302. Except as authorized by the Compassionate Use Act of 1996 (Section 11362.5 of the Health and Safety Code) or the Medical Marijuana Regulation and Safety Act (commencing at section 19300 of the Business and Professions Code), or as otherwise herein provided, the Board of Equalization shall have the exclusive power to license and regulate the cultivation, manufacture, distribution, testing, sale, purchase, possession, transportation, and on-premises consumption of cannabis and cannabis products in this State, and to collect license fees or occupation taxes on account thereof. The board shall have the power, in its reasonable discretion, to deny, suspend or revoke any specific cannabis license if it shall determine that the granting or continuance of such license would be contrary to public welfare, or that a person, or person controlling such person, seeking or holding a license has violated any law prohibiting conduct involving moral turpitude. For purposes of this chapter, the manufacturing, possession or sale of cannabis shall not involve moral turpitude.

11303. The board shall issue licenses for the manufacture, distribution and retail sale of cannabis and cannabis products. The board may, in its discretion, establish additional types and subclasses of licenses. A person may apply for and receive multiple licenses, including different types and classes of licenses. The board may also impose reasonable conditions upon any license. All licenses shall be issued to specific persons for use at specific locations and all transfers and changes in control are subject to board investigation and approval in the same manner as the initial issuance of the license. Except as authorized by the Compassionate Use Act of 1996 (Section 11362.5 of the Health and Safety Code) or the Medical Marijuana Regulation and Safety Act (commencing at section 19300 of the Business and Professions Code), or as otherwise herein provided, it shall be unlawful for any person other than a licensee of said board to manufacture, distribute, or sell cannabis or cannabis products in this State.

11304. (a) The board shall make and prescribe reasonable rules as may be necessary or proper to carry out the purposes and intent of this chapter and to enable it to exercise the powers and duties conferred upon it by this chapter, not inconsistent with any statute of this state, including particularly this chapter and Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For the performance of its duties, the board has the power conferred by Sections 11180 to 11191, inclusive, of the Government Code.

(b) The board may prescribe, adopt, and enforce any emergency regulations as necessary to implement, administer and enforce their respective duties under this chapter. Any emergency regulation prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and, for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an emergency and shall be considered by the

Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare.

(c) Regulations issued under this division shall be necessary to achieve the purposes of this chapter, based on best available evidence, and shall mandate only commercially feasible procedures, technology, or other requirements, and shall not unreasonably restrain or inhibit the development of alternative procedures or technology to achieve the same substantive requirements, nor shall such regulations make compliance unreasonably impracticable.

(d) On or before November 1, 2017, the board shall promulgate regulations and rules defining the licenses, and subclasses of licenses if any, and the requirements therefore, including the adoption of license application forms and materials. On or before December 1, 2017, the board shall begin to accept license applications for the manufacture, distribution and retail sale of cannabis and cannabis products.

(e) Upon the denial of any application for a license, the board shall so notify the applicant in writing. Within 30 days of service of such notice, the applicant may file a written petition for a license. Upon receipt of a timely filed petition, the board shall set the petition for hearing. The hearing shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the board shall have all the powers granted therein.

11305. Cannabis and cannabis products may be cultivated, manufactured and stored by licensees on premises zoned for agricultural, manufacturing or industrial use, or similar uses or mixed uses, subject to the rules and regulations promulgated under this chapter. Retail sales of cannabis and cannabis products by licensees may only occur on premises zoned for commercial, manufacturing or industrial uses, or similar uses or mixed uses, subject to the rules and regulations promulgated under this chapter. In accordance with, and subject to the exemptions in, Health and Safety Code Section 11362.768, unless otherwise allowed by local ordinance no licensee shall operate a business for the cultivation, distribution, manufacture, sale, or testing of cannabis or cannabis products within six hundred (600) feet of a school. A city, county, or city and county may adopt ordinances that establish reasonable zoning regulations for retail sales of cannabis or cannabis products, but such regulations shall not ban such activity or unreasonably restrict access to cannabis or cannabis products within such jurisdiction. No retail sales license shall be issued for any premises which are located in any city, county, or city and county where the exercise of the rights and privileges conferred by the license is contrary to a valid zoning ordinance of such jurisdiction unless the premises had been used in the exercise of such rights and privileges at a time prior to the effective date of the zoning ordinance.

11306. (a) No manufacturer or distributor shall sell cannabis products to any other person who is not licensed pursuant to this division or whose license has been suspended or revoked.

(b) No retailer, distributor or manufacturer shall purchase cannabis or cannabis products from a person who is not licensed pursuant to this division or whose license has been suspended or revoked.

(c) Each separate sale of cannabis or cannabis products to, or by, a retailer, distributor, manufacturer, or any other person required to be licensed who is not licensed pursuant to this chapter, shall constitute a separate violation.

(d) A person engaging in commercial cannabis activity without a license required by this chapter shall be subject to civil penalties of up to twice the amount of the license fee for each violation.

(e) No licensee shall be required to utilize the services of a distributor or third-party transportation company.

(f) Notwithstanding any other provision of law, any licensee may sell or purchase cannabis or cannabis products to or from any person licensed pursuant to the Medical Marijuana Regulation and Safety Act (commencing at section 19300 of the Business and Professions Code).

(g) The board or a law enforcement agency shall be authorized to seize cannabis and cannabis products in excess of the amounts allowed for personal or collective cultivation under Section 11314 if the owner does not have a valid license required under this chapter. The board's seizure of such cannabis and cannabis products shall comply with the procedures set forth in Revenue and Taxation Code, Division 2, Part 13, Chapter 7.5, commencing with section 30435.

11307. A person that engages in the business of manufacturing, distributing, transporting or selling cannabis or cannabis products in this state without a required license or after a required license has been suspended or revoked, and each officer of any corporation or other entity that so engages in such activity, is guilty of a misdemeanor. Each offense shall be punished by a fine not to exceed five thousand dollars (\$5,000), or imprisonment not exceeding one year in a county jail, or both fine and imprisonment.

11308. The board shall develop an electronic shipping manifest system for reporting the movement of cannabis and cannabis products throughout the distribution chain. The information collected and maintained shall include, but not be limited to: the names and license numbers of the sender and recipient; the quantity, or weight, and variety of items shipped; the sales price, if any; the estimated day of departure and arrival; and the actual day of arrival. This track and trace database shall be designed to flag irregularities for the board to investigate. Until such time as the electronic shipping manifest system is operative, the board may require licensees to prepare, submit and maintain manifests and invoices in the manner the board shall reasonably determine.

11309. No licensee shall transport on a public highway, or possess in a public place, cannabis or cannabis products in excess of the amounts allowed under Section 11314(d) unless in possession of a manifest correctly indicating the names and license numbers of the sender and recipient; the quantity, or weight, and variety of items being transported; the sales price, if any; and the estimated day and time of departure and arrival. If a contemplated delivery or sale is not consummated for any reason, an additional manifest must be generated indicating that the cannabis or cannabis products are being returned to the sender, being held pending another delivery attempt, or are being redirected to another recipient licensee. The board may promulgate different or additional regulations specifically applicable to retail delivery services.

11310. Each manufacturer, distributor and retailer of cannabis products subject to licensing under this chapter shall maintain accurate and complete records relating to the manufacture, purchase and sale of those products, including, but not limited to, receipts, invoices, and other records as may be reasonably required by the board, and shall make these records available upon request to a representative of the board. The board may make such examinations of the premises and the books and records of any person cultivating, manufacturing, distributing, warehousing, transporting or selling cannabis or cannabis products as it may reasonably deem necessary in carrying out the provisions of this chapter. The board

may employ accountants, auditors, investigators and other expert and clerical assistance necessary to enforce its powers and perform its duties under this chapter.

11311. Except as otherwise authorized by Compassionate Use Act of 1996 (Section 11362.5 of the Health and Safety Code) or other law, the sale, furnishing, or giving away of any cannabis or cannabis product to any person under the age of 21 years is hereby prohibited. Except as otherwise authorized by Compassionate Use Act of 1996 or other law, any person over the age of 18 years and under the age of 21 years who attempts to purchase, or purchases, cannabis products from a licensee, or the licensee's agent or employee, and any person who knowingly sells, gives, or in any way furnishes cannabis products to a person over the age of 18 years and under the age of 21 years, is guilty of an infraction and shall be punished by a fine not to exceed two hundred fifty dollars (\$250). Except as otherwise authorized by Compassionate Use Act of 1996 or other law, any person who knowingly sells, gives, or in any way furnishes cannabis products to a person under the age of 18 years, and any person under the age of 18 years who purchases, receives or possesses any cannabis or cannabis products, shall be subject to the penalties set forth in Penal Code 308 as if the cannabis or cannabis products were cigarettes.

11312. As of a date six months following the first issuance of a license pursuant to Section 11303, the following code sections are hereby repealed: Health and Safety Code sections 11054(d)(13), 11054(d)(20), 11357, 11358, 11359, 11360 and 11361. Except as set forth in this chapter, the cultivation, manufacturing, possession and sale of cannabis, cannabis products, and industrial hemp, whether for profit or otherwise, shall not thereafter be subject to criminal prohibition or prosecution, or to civil or criminal fine or forfeiture, and any state or local law or ordinance that is inconsistent with this chapter is hereby preempted.

11313. Notwithstanding any other provision of law, cannabis and industrial hemp is each hereby declared to be an agricultural product and an approved food additive. A cannabis product shall not be considered a drug under Health and Safety Code Section 109925. Section 81010 of the Agriculture Code is hereby repealed.

11314. (a) Notwithstanding any other provision of law, it shall be lawful for any person over the age of twenty-one (21) to cultivate for personal use and consumption not more than six (6) cannabis plants without the necessity of obtaining or maintaining a license from the board. Any such personal cultivation taking place upon a property zoned primarily for residential use must be conducted indoors or in a greenhouse structure with a locking door.

(b) No personal or collective cultivation in excess of twelve (12) cannabis plants shall be permitted upon a single parcel unless such cultivation is licensed by the board or licensed or otherwise authorized pursuant to the Compassionate Use Act of 1996 (Section 11362.5 of the Health and Safety Code) or the Medical Marijuana Regulation and Safety Act (commencing at section 19300 of the Business and Professions Code).

(c) For purposes of this chapter, "personal use" means for the use of natural persons involved in the cultivation of cannabis. Cannabis cultivated for personal use pursuant to this section may not be sold for a profit but may be shared without consideration, or in exchange for remuneration limited to the reasonable cost of cultivating the cannabis.

(d) Except as authorized by law, no unlicensed person shall transport on a public highway, or possess in a public place, more than six cannabis plants, three avoirdupois ounces of dried cannabis, and/or cannabis products containing more than six grams of tetrahydrocannabinol (THC).

11315. (a) The board shall have the power, in its reasonable discretion, to contract with other state agencies to act as licensing authorities, to screen applicants, to track and trace cannabis and cannabis products, and to provide any other type of expertise or assistance that may be required to fulfill the board's duties under this chapter. Such agencies may include, but shall not be limited to, the Department of Justice, the Department of Consumer Affairs, the Department of Food and Agriculture, the Department of Public Health and the Department of Industrial Relations.

(b) The board shall convene an advisory committee to advise the board on the development of standards and regulations pursuant to this chapter, including best practices and guidelines that protect public health and safety while ensuring a regulated environment for commercial cannabis activity that does not impose such unreasonably impracticable barriers so as to perpetuate, rather than reduce and eliminate, the illicit market for cannabis.

(c) The advisory committee members shall include, but not be limited to, representatives of the cannabis industry, appropriate state and local agencies, and other subject matter experts, including representatives from the Department of Alcoholic Beverage Control with expertise in regulating commercial activity for adult-use intoxicating substances. The advisory committee members shall be determined by the chairman of the board.

11316. The Department of Public Health shall prescribe, adopt and enforce rules and regulations governing the manufacture, packaging, testing, labeling and storage of cannabis and cannabis products.

11317. The Department of Food and Agriculture shall prescribe, adopt and enforce rules and regulations governing the cultivation of cannabis, including industrial hemp. Department of Food and Agriculture regulations shall require that indoor and outdoor cannabis cultivation by licensees is conducted in accordance with state laws and best practices related to land conversion, grading, electricity usage, water usage, agricultural discharges, and similar matters.

11318. The Department of Pesticide Regulation shall prescribe, adopt and enforce rules and regulations concerning the use, application and labeling of pesticides in connection with cannabis cultivation consistent with Division 6 (commencing with Section 11401) and Division 7 (commencing with Section 12500) of the Food and Agricultural Code. The department shall designate maximum tolerances for approved pesticides in harvested cannabis.

11319. Prior to January 1, 2020, the board shall not issue or renew a license to any person that cannot demonstrate continuous California residency from and before January 1, 2015. In the case of an applicant or licensee that is an entity, the entity shall not be considered a resident if any person controlling the entity cannot demonstrate continuous California residency from and before January 1, 2015. A licensee that is an entity shall report to the board the issuance or transfer of its stock or interests to any person wherein the issuance or transfer results in the person owning 10 percent or more of the entity's stock or interests. For purpose of this section, residency shall have the same meaning as that set forth in Section 12505 of the Vehicle Code.

11320. A holder of a manufacturer or distributor license shall not also be licensed as, or be affiliated with a person that is licensed as, a manufacturer, wholesaler or distributor of distilled spirits as defined by Business and Professions Code Section 23005.

11321. A holder of a manufacturer or distributor license shall not also be licensed as, or affiliated with a person that is licensed as, a manufacturer, wholesaler or distributor of cigarettes or tobacco products.

11322. This chapter shall not require an employer to permit or accommodate the use of cannabis in the workplace, but no employer may terminate an employee, or take any other adverse action against an employee, solely on the basis of cannabis use without a showing of cannabis impairment or possession while at work. Notwithstanding the foregoing, an employer contractually or statutorily required to maintain a drug-free workplace may comply with its legal obligations.

11323. Notwithstanding any other provision of law, an action taken that is in compliance with the provisions of this chapter shall not, by itself, be sufficient evidence of parental unfitness, or child abuse, or otherwise be used to restrict or abridge custodial or parental rights to minor children, nor the basis to diminish parental rights or remove a child from his or her home, unless it is determined that there exists an immediate and actual threat to the health and welfare of a child.

11324. The fees assessed pursuant to this chapter shall be set at an amount that will fairly and proportionately generate sufficient revenue to cover the costs of administering and enforcing this chapter and shall be deposited in the Cannabis Fund which is hereby created within the State Treasury. All moneys collected as a result of penalties imposed under this chapter shall be deposited directly into the General Fund, to be available upon appropriation. The Controller shall appropriate from the Cannabis Fund to the board and other state agencies reasonable costs of implementing, administering and enforcing this chapter. Notwithstanding Section 13340 of the Government Code, all moneys deposited pursuant to this chapter shall be continuously appropriated to the board without regard to fiscal year for purposes of this chapter. For purposes of the calculations required by Section 8 of Article XVI of the California Constitution, funds transferred to the Cannabis Fund shall be considered General Fund revenues which may be appropriated pursuant to Article XIII B.

11325. Funds for the establishment and support of the regulatory activities required pursuant to this chapter shall be advanced as a General Fund or special fund loan, and shall be repaid from the proceeds of the fees collected pursuant to this chapter or any rule or regulation adopted pursuant to this chapter, on or before January 1, 2022.

SECTION 5. TAXATION OF CANNABIS CULTIVATION AND SALES

Part 13.5 (commencing with section 31000) is added to Division 2 of the Revenue and Taxation Code, to read:

Chapter 1. General Provisions

31001. This part is known and may be cited as the Cannabis Tax Law.

Chapter 2. Local Cultivation Taxes

31050. This Chapter is known and may be cited as the Cannabis Local Cultivation Tax Law.

31051. The taxes imposed by this part are in lieu of all county, municipal, or district taxes specifically imposed upon the cultivation, manufacture, storage or distribution of cannabis or cannabis products.

31052. Any city, city and county, or county may by action of its board of supervisors or city council, without action by the voters, adopt a cannabis cultivation tax in accordance with the provisions of this part. Any such cultivation tax must be based upon plant canopy size and the rate of tax may not exceed two dollars (\$2.00) per square foot per annum. No such tax shall be imposed upon industrial hemp as that term is defined by Section 11018.5 of the Health and Safety Code or upon any cannabis cultivated for personal use within the limits set forth in the Section 11314 of the Health and Safety Code.

31053. The licensee shall prominently display a tax certificate issued by the board at each place of cannabis cultivation, which certificate shall indicate the amount of tax assessed and the maximum square footage of canopy permitted.

31054. The city, city and county, or county shall contract, prior to the effective date of its cannabis cultivation tax ordinance, with the State Board of Equalization to perform all functions incident to the administration or operation of its cannabis cultivation tax ordinance. The board shall charge a city, city and county, or county an amount for the board's services in administering the cannabis cultivation tax ordinance of the local entity, as determined by the board with the concurrence of the Department of Finance.

31055. All cannabis cultivation taxes collected by the State Board of Equalization pursuant to contract with any city, city and county, or county shall be transmitted by the board to such city, city and county, or county periodically as promptly as feasible. The transmittals required under this section shall be made at least once each calendar quarter.

31056. Any cultivation tax is a direct obligation of the manufacturer licensee and shall be due and payable in twelve (12) equal monthly installments, with each monthly installment due on or before the 15th day of each calendar month. Payments may be made in cash without penalty or additional fee.

31057. The board may bring such legal actions as are necessary to collect any deficiency in the tax required to be paid, and, upon the board's request, the Attorney General shall bring the actions.

Chapter 3. Local Cannabis Sales Taxes

31100. This Chapter is known and may be cited as the Cannabis Local Sales Tax Law.

31101. The taxes imposed by this part are in lieu of all county, municipal, or district taxes on the sale of cannabis or cannabis products, and any such existing taxes are hereby preempted. All sales of cannabis and cannabis products shall also be subject to taxation under the Sales and Use Tax Law. If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional permit shall not be required by this part.

31102. Any city, city and county, or county may by action of its board of supervisors or city council, without action by the voters, adopt a cannabis sales and use tax in accordance with the provisions of this part. The tax rate imposed may not exceed five percent (5%) of the retail sale amount and the amount subject to tax shall not include the amount of any sales tax or use tax imposed by the State of California upon a retailer or consumer. No such tax shall be imposed upon industrial hemp as that term is defined by Section 11018.5 of the Health and Safety Code.

The taxes imposed under this chapter shall not apply to retail sales of medical cannabis or cannabis products when the purchaser furnishes evidence to the retailer that the purchaser is a person with an identification card, or the primary caregiver of a person with an identification card, as those terms are defined in Health and Safety Code section 11362.7.

31103. The city, city and county, or county shall contract, prior to the effective date of its cannabis sales and use tax ordinance, with the State Board of Equalization to perform all functions incident to the administration or operation of its cannabis sales and use tax ordinance. Payments may be made in cash without penalty or additional fee. The board shall charge a city, city and county, or county an amount for the board's services in administering the sales and use tax ordinance of the local entity, as determined by the board with the concurrence of the Department of Finance. For purposes of this chapter, the provisions of Section 7203.5 of the Revenue and Taxation Code shall not apply.

31104. All cannabis sales and use taxes collected by the State Board of Equalization pursuant to contract with any city, city and county, or county shall be transmitted by the board to such city, city and county, or county periodically as promptly as feasible. The transmittals required under this section shall be made at least once in each calendar quarter.

31105. The board may bring such legal actions as are necessary to collect any deficiency in the tax required to be paid, and, upon the board's request, the Attorney General shall bring the actions.

Chapter 4. State Cannabis Sales Tax

31200. This Chapter is known and may be cited as the Cannabis Sales Tax Law.

31201. The taxes imposed by this part are in lieu of all state taxes specifically directed to the sale of cannabis or cannabis products. Except as otherwise provided by law, all sales of cannabis and cannabis products shall remain subject to taxation under the Sales and Use Tax Law. If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional permit shall not be required by this part.

31202. Except as provided in section 31203, there is hereby imposed an ad valorem five percent (5%) tax on all retail sales of cannabis products. This tax shall be collected by the board. All revenues from this tax shall be remitted by the board to the Cannabis Tax Fund.

31203. The taxes imposed under this chapter shall not apply to retail sales of medical cannabis or cannabis products when the purchaser furnishes evidence to the retailer that the purchaser is a person with an identification card, or the primary caregiver of a person with an identification card, as those terms are defined in Health and Safety Code section 11362.7.

33204. All amounts required to be paid to the state under this chapter shall be paid to the board in the form of remittances payable to the State Board of Equalization. Payments may be made in cash without penalty or additional fee. The board shall transmit the payments to the Treasurer to be deposited in the State Treasury to the credit of the Cannabis Tax Fund, which fund is hereby created.

33205. Any person who fails to pay any tax required by this chapter shall be subject to the penalties and interest as set forth in Part 1 of Division 6 (commencing with Section 6591) of the Revenue and Taxation Code.

33206. The Cannabis Tax Fund shall contain three separate accounts, which are hereby established, as follows:

(a) The Early Education Account, appropriated by the Controller to the Department of Education, to fund state preschool programs that prepare children for success in school and life.

(b) The Environmental Restoration and Protection Account appropriated by the Controller to the State Water Resources Control Board, the Department of Fish and Wildlife, the Wildlife Conservation Board, and the Department of Parks and Recreation to fund: (i) cleanup, remediation, and restoration of environmental damage on public lands caused by illegal cannabis cultivation and related activities, including, but not limited to, damage that occurred prior to enactment of this Act; (ii) natural resource protection, including acquisition of lands, interests in land, and conservation easements to offset the adverse environmental impacts of illegal cannabis cultivation; and (iii) stewardship, operations, maintenance, and restoration of state-owned wildlife habitat and units of the state park system.

(c) The Pediatric Research Account, appropriated by the Controller to a public university or universities in California, to fund research that leads to curing childhood cancers or that leads to curing and/or better management of childhood spasticity disorders, including, but not limited to, sudden onset spasticity as well as preexisting spasticity from spinal injury, brain tumor/injury, cerebral palsy, or multiple sclerosis.

33207. (a) The Controller shall appropriate from the Cannabis Tax Fund for the following purposes, before any funds are disbursed pursuant to section 33206, in the following order:

(1) Reasonable costs incurred by the Board for administering and collecting the taxes imposed by this chapter.

(2) Reasonable costs incurred by the licensing authorities for implementing, administering, and enforcing Chapter 5.5 of Division 10 of the Health and Safety Code in excess of the monies available in the Cannabis Fund established in Section 11323 of the Health and Safety Code. The Department of Finance shall report to the Legislature annually until 2026 on the fiscal condition of the Cannabis Fund and make recommendations as appropriate for legislation to ensure its stable, self-sustaining operation.

(3) Research pertaining to the implementation and effect of the Cannabis Control and Taxation Act.

(4) Funding for the California Marijuana Research Program.

(b) Subject to the satisfaction of the funding requirements of subdivision (a) of this section, the Controller shall appropriate at least annually any excess funds in the Cannabis Tax Fund to the purposes set forth in Section 33206 in the following manner:

(1) Forty percent (40%) shall be deposited in the Early Education Account.

(2) Forty percent (40%) shall be deposited in the Environmental Restoration and Protection Account.

(3) Twenty percent (20%) shall be deposited in the Pediatric Research Account.

(c) Funds allocated pursuant to this section shall be used to increase the funding of the programs and purposes identified and shall not be used to replace allocations of other funding for these purposes.

SECTION 6. AMENDMENTS

This Act shall be broadly construed to accomplish its purposes. The provisions of this measure may be amended by a two-thirds vote of the members of each house of the Legislature and signed by the Governor so long as such amendments are consistent with and further the intent of this Act.

SECTION 7. SEVERABILITY

If any word, phrase, section, or provision of this Act or the application thereof to any person or circumstances is held invalid or unconstitutional, such invalidity or unconstitutionality shall not affect any other word, phrase, section, provision, or application of this Act that may be given effect without the invalid or unconstitutional part, and to that end the provisions of this Act are severable. It is the intent of the people of the State of California that this Act would have been adopted regardless of whether such invalid provision had not been included or such invalid application had not been made.