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Assembly California Legislature



TOM LACKEY
ASSEMBLYMAN, THIRTY-SIXTH DISTRICT

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EMERGENCY MANAGEMENT

November 25, 2019

California Department of Tax and Fee Administration
Attn. Nicolas Maduros
450 N Street
Sacramento, CA 95814

Director Maduros,

I am requesting the California Department of Tax and Fee Administration (CDTFA) to provide its analysis of statewide market data to justify the new 80% wholesale mark-up rate of cannabis sales set to go into effect January 1, 2020. In addition, I request CDTFA to provide the analysis used to justify the newly adjusted cultivation tax rates.

Legal cannabis business are in critical need of fewer taxes, not more. The past two years, members of the legislature focused intensely on protecting the vulnerable legal market. This rise in the wholesale mark-up rate imposes additional burdens on the legal market, thus strengthening the illicit market.

With the increased availability of purchasing power through websites and delivery services, the illicit market is able to substantially outsell the legal market due to the ever-growing price disparity. Mark-up rates, tax increases, and outrageous business costs encourage businesses to avoid the legal market all together.

Sincerely,

A handwritten signature in blue ink that reads "Thomas Lackey".

Tom Lackey
Assemblymember, 36th District