



Item 28 – Cannabis Pilot Tax Credit Program

City Council Meeting – April 9, 2024

Background

January 23, 2024 – City Council passed the following motion:

1. Minimum wage floor of 110% of the state's established minimum wage is set for all workers, making no distinction in the wage scale between part-time and full-time workers. Furthermore, at least 80% of the workforce of any entity should be paid at a rate of 115% of the state's minimum wage.
2. Compliance with these wage standards is a prerequisite for businesses to be eligible for proposed tax relief benefits. The timeline for reaching full compliance is at the discretion of each entity, acknowledging the diverse capacities and starting points of different businesses.
3. Recognition that not all entities will meet these standards simultaneously. Some may qualify immediately, while others will require time to bring their wage structures into compliance.

Background Cont'd

4. Requirement that at least 40% of the workforce of any entity should be locally hired. This measure aims to support local employment and community development.
5. Request staff to implement a one-year review period post-implementation of this program. During this period, staff shall track compliance, the impact of these measures, and any industry recommendations not included in this motion. This review will help assess the need for any revisions or adjustments to the ordinance.
6. Request staff to provide clarity on the requirement for entities to be up to date with city taxes as part of their eligibility for the aforementioned tax relief and minimum wage adjustments.

Changes to Pilot Tax Credit Program Eligibility Criteria

Per City Council direction, the following updates were made to the proposed Pilot Tax Credit Program:

- Reduce the Local Hiring criterion from 50% to 40% to align with the existing equity employee requirement as stated in Section 5.92.1660 of LBMC.
- Remove the part-time employees wage requirement under the Workforce Quality of Life criterion and, instead, set the wage requirement for all employees at 110% (or above) the state minimum wage with 80% of employees receiving 115% (or above) the state minimum wage.

Clarification on Business Eligibility for Pilot Tax Credit Program

City Council directed staff to provide clarity on the requirement for businesses to be up to date with city taxes as part of their eligibility for the Pilot Tax Credit Program.

- Businesses are required to be up to date on taxes (as part of the good standing requirements) before being eligible for the program.
- Enrollment in a payment plan does not constitute being in good standing nor eligible for the program.
- Once outstanding taxes are paid in full, businesses will be eligible for the program (assuming other good standing requirements and criteria are met).
- Staff have been working with businesses to provide pathways to compliance with outstanding taxes.

Updated Pilot Tax Credit Program Table

Good Standing Requirements

Be compliant with the regulations set by Section 3.80.261 of the LBMC and California Department of Tax and Fee Administration (CDTFA), and cannot have outstanding taxes and fees for any cannabis license associated with the business

Be complaint with the regulations set in Chapter 5.90 and Chapter 5.92 of the LBMC and cannot have pending enforcement action(s) for any cannabis license associated with the business

Be compliant with the regulations set by the Department of Cannabis Control, including the issuance of an active provisional or annual state license

Eligibility Criteria

Local Hiring	<ul style="list-style-type: none"> 40% of employees reside within Long Beach
Workforce Quality of Life	<ul style="list-style-type: none"> <i>Employees receive wages set at 110% (or above) of the state minimum wage</i> <i>80% of employees receive wages set at 115% (or above) of the state minimum wage</i>
Training	Proof of participation in a High Road Training Partnership
Equity Business Support	<p><i>At least one (1) of the following:</i></p> <ul style="list-style-type: none"> 15% of shelf space reserved for cannabis goods cultivated, manufactured, or delivered by an equity business Provide 50 hours of incubation support per year to equity businesses

Increased Efforts to Collect Delinquent Balances

Date	Action
8.21.2023	Email notification sent to businesses regarding delinquent balances.
10.23.2023	Email notification sent to businesses with expired licenses requiring delinquent balances to be paid in full in order to renew license.
1.3.2024	Certified mail letter sent to businesses with delinquent accounts stating balance and reporting status, and payment plan offer.
2.16.2024	Payment demand letter sent via certified mail to businesses requesting to pay delinquent balances in full or enroll a payment plan by March 18, 2024. Failure to take any action by deadline will result in license suspension.

Cannabis Tax Compliance Status

Status as of April 2024

- \$8.5 million in delinquent taxes
- \$5.8 million pending payment plan
- 700 outstanding quarterly gross receipts reports

Next Steps

Businesses not in compliance with LBMC and current on all tax payments are subject to suspension or revocation of the business license. Commitment to a payment plan will prevent this further action to be taken on the account.



Thank you

Valencia Maria Mota

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Deputy City Manager