

Annual Report on Tax Exemptions for Medicinal Cannabis

JULY 2021

Statutory Data Reporting Requirement.

Chapter 837 of 2019 (SB 34, Wiener) established new tax exemptions for donations of medicinal cannabis. The law directs our office to submit an annual report containing data on three outcomes related to the exemptions: the number of medicinal cannabis patients served, the amount of medicinal cannabis products donated, and the amount of tax revenue lost. This report fulfills that statutory requirement for 2020.

Data Source.

Our office obtained the data described below from the California Department of Food and Agriculture and the California Department of Tax and Fee Administration (CDTFA). The data come from the state’s Metrc [“track and trace”](#) system for licensed cannabis. In particular, the data reflect transactions that businesses identified as medicinal donations in calendar year 2020.

Number of Patients Served.

In 2020, licensees identified 13,278 transactions as medicinal donations. The data do not tell us who received each donation. Some patients likely received more than one donation in 2020, so this total likely overstates the number of distinct patients. For example, if a patient received six donations in 2020, then the transaction total includes that person six times.

Amounts of Products Donated.

As shown in **Figure 1**, licensees donated a wide variety of products in 2020. The top panel of the figure summarizes the total weight of donations whose weights were specified in the Metrc data. The bottom panel summarizes the number of donated packages whose weights were not specified.

Cultivation Tax Revenue Lost.

CDTFA estimates that the 2020 revenue loss from the SB 34 cultivation tax exemption was roughly \$400,000. Revenue from the cultivation tax

goes to the Cannabis Tax Fund created by Proposition 64 (2016).

Use Tax Revenue Lost.

CDTFA estimates that the 2020 revenue loss from the SB 34 use tax exemption was roughly \$120,000. Revenue from the use tax goes to the state’s General Fund and to local programs.

Figure 1

Amounts of Products Donated Under SB 34 Exemption in 2020

Weight Specified	
Product	Total Weight (Pounds)
Flower	2,067
Fresh Plant	39
Leaf	3,193
Waste	100
Other	7
Weight Not Specified	
Product	Total Packages
Capsule	3,977
Clone—Cutting	8,521
Clone—Tissue Culture	26
Edible	32,634
Extract	10,514
Flower	208
Immature Plant	347
Infused Butter/Oil	27
Other Concentrate	8,207
Pre-Roll Flower	18,132
Pre-Roll Infused	2,026
Pre-Roll Leaf	9,055
Seeds	167,115
Tincture	11,008
Topical	2,842
Vape Cartridge	15,935

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This report was prepared by Seth Kerstein, and reviewed by Brian Uhler and Carolyn Chu. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.