Residents of California often complain about high taxes, but no one pays higher taxes than the cannabis industry. In addition to the Federal 280E penalties, the cannabis industry in California is subject to a 15% state-wide excise tax, sales and use taxes that can reach up to 10.75%, and local business licenses taxes which are as high as 15% in some jurisdictions. On top of these excise taxes, which combined can approach 40%, there is a state cultivation tax currently imposed on cannabis flowers at a rate of $161.28/dry-weight pound (and some local jurisdictions impose additional cultivation taxes).

During good times, the industry could withstand this tremendous tax burden with the price per pound of wholesale flower at between $1,500/lb (outdoor) and $3,000/lb (premium indoor). However, when wholesale prices collapsed to as low as $400/lb for outdoor flower in the fall of 2021, growers could no longer make a profit. Following protests by desperate growers, in January 2021, Governor Newsom signaled that relief was on its way. Finally on May 13, 2022, the governor made it official when he released his budget which proposed slashing the cultivation tax to
$0 as of July 1, 2022. While this cut comes too late for many growers that have already been wiped out, it provides some much-needed relief for an industry that has been struggling to survive.

**FOOTNOTES**

[1] Newsom’s proposal would also shift the point of collection and remittance of the 15% state-wide excise tax from distributors to retailers, update allocations of the Cannabis Tax Fund, and establish a local jurisdiction retail grant access program to aid localities with the development and implementation of local retail licensing programs.

Copyright © 2022, Sheppard Mullin Richter & Hampton LLP.

National Law Review, Volume XII, Number 137

**Source URL:** [https://www.natlawreview.com/article/california-cannabis-farmers-may-finally-get-some-relief](https://www.natlawreview.com/article/california-cannabis-farmers-may-finally-get-some-relief)