

**CITY OF SAN DIEGO  
OFFICE OF THE CITY TREASURER  
CANNABIS BUSINESS TAX - MEDICAL CANNABIS REGULATION**

**APPLICABILITY OF THE MEDICAL CANNABIS EXCLUSION**

Reference: San Diego Municipal Code (SDMC) § 34.0103  
Authority: SDMC § 34.0122

**PURPOSE**

This regulation establishes standards for the exclusion of medical marijuana from the City's Cannabis Business Tax.

**BACKGROUND**

On November 8, 2016, San Diego voters approved Measure N (Non-Medical Cannabis Business Tax), which allowed the City to collect taxes from non-medical cannabis businesses. Measure N limited the tax to non-medical cannabis businesses by excluding from the definition of "cannabis business" nonprofit medical marijuana consumer cooperatives with only medical marijuana sales and nonprofit medical marijuana activities authorized under California Health and Safety Code 11362.765.

Regulatory changes at the State and local level following voter approval of Measure N have resulted in most cannabis businesses converting to for-profit businesses with both medical and recreational cannabis sales at the same location. As a result, many cannabis businesses would no longer be considered medical marijuana consumer cooperatives and no longer have excludable sales authorized by California Health and Safety Code 11362.765. In light of these changes, this regulation clarifies which medical cannabis sales will and will not be considered taxable.

**CITY TREASURER REGULATION**

The City Treasurer will use the following standards to determine whether a cannabis business can exclude a medical cannabis sale from its taxable gross receipts:

1. Nonprofit cannabis businesses that make only medical cannabis sales can exclude gross receipts from sales made to patients with a doctor's recommendation or a state-issued Medical Marijuana Identification Card.
2. Nonprofit and for-profit cannabis businesses with both medical and recreational cannabis sales can exclude gross receipts from medical cannabis sales only when made to patients providing a state-issued Medical Marijuana Identification Card.

Cannabis business owners must confirm the validity of doctors' recommendations and Medical Marijuana Identification Cards, and must provide documentation of validity to the City upon request. Any excluded sales that the City cannot confirm through documentation will be deemed taxable.