

**THE CITY OF SAN DIEGO  
OFFICE OF THE CITY REASURER  
CANNABIS BUSINESS TAX REGULATION**

**REGULATION CLARIFYING OPERATORS' RECORDS AND INSPECTION OF  
SUCH RECORDS**

REFERENCE: San Diego Municipal Code (SDMC) Chapter 3, Article 4, Division 1

AUTHORITY: SDMC section 34.0122

**PURPOSE**

This regulation provides clarification on Operators'<sup>1</sup> records and the City's right to inspect such records to determine the amount of Cannabis Business Tax (CBT) due to the City.

**BACKGROUND**

The Office of the City Treasurer is responsible for the administration of CBT in accordance with SDMC, Chapter 3, Article 4, Division 1. The SDMC section 34.0120 provides, in part:

- (c) *The Tax Administrator, deputies and duly authorized City employees shall have the power to examine all necessary books and records of any person doing business in the City to determine whether that business is required to be taxed by the terms of this Article, or for the purpose of ascertaining the amount of any tax required to be paid.*

Additionally, SDMC section 34.0124; Audit and Examination of Records provides:

*It shall be the duty of every person liable for the payment to the City of any Cannabis Business Tax imposed by this Article to keep and preserve, for a period of three years, all business records as may be necessary to determine the amount of such tax for which the Operator is liable. The Tax Administrator and authorized deputies or agents in the exercise of duties imposed by this Article shall have the right to inspect such records at all reasonable times and to apply auditing procedures necessary to determine the amount of tax due to the City. It shall be unlawful to refuse to allow or to permit such audit to be conducted after a lawful demand therefor by the Tax Administrator, or the City Auditor when so requested by the Tax Administrator.*

**CITY TREASURER REGULATION**

1. The Office of the City Treasurer has determined that the records necessary to

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<sup>1</sup> All terms not otherwise defined in this regulation shall have the same meaning as set forth in SDMC section 34.0101

determine Gross Receipts and CBT due pursuant to SDMC section 34.0124 include, but are not limited to:

- Monthly summary reports of gross receipts, adjustments, taxable receipts, and CBT collected for the audit period
  - Chart of Accounts
  - General Ledger
  - Monthly Profit and Loss statements
  - Daily summary and adjustment reports
  - Support for transactions (e.g. individual POS transactions, adjustments to gross receipts, etc.)
  - Backup for adjustments claimed
  - Monthly tax worksheets used to calculate CBT due to the City
  - Annual financial statements and/or tax returns
2. Upon request by the City, an Operator shall provide all records requested in the Revenue Compliance engagement letter within two (2) weeks. A one (1) week extension may be granted by the Office of the City Treasurer. Additional records may be requested throughout the engagement.
  3. Operator is to provide records in the format approved by the Office of the City Treasurer. Records must include the data fields and date parameters (i.e. monthly or annually) requested. If records are requested in an electronic format, the files must be provided in the file type (e.g. Excel or PDF) specified in the request.
  4. If records are not provided timely or made available for the engagement, the City Treasurer and authorized deputies or other agents may apply procedures to estimate Gross Receipts and CBT due. In the case of a Compliance engagement, Operators shall make records available for City review and adhere to deadlines (see item 2 above) set by the City Treasurer and authorized deputies or other agents.
  5. Engagement will not be reopened once completed. If additional records supporting a reduction in the amount of CBT due are found after the completion of the engagement, the Operator may take a credit on future CBT returns and maintain documentation for review during the next engagement.
  6. In accordance with SDMC section 34.0124, records must be preserved for a minimum of three (3) years. However, the scope of an audit may include a period exceeding three (3) years to ensure tax compliance for any unaudited period. If records for any period are not available and it is determined that CBT has been underreported, estimates of Gross Receipts and CBT due may be used.

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