

AMENDED IN ASSEMBLY AUGUST 20, 2010

AMENDED IN SENATE APRIL 27, 2010

SENATE BILL

No. 1131

Introduced by Senator Calderon

February 18, 2010

~~An act to add Section 11082 to the Government Code, relating to state government.~~ *An act to add Division 8.9 (commencing with Section 22992) to the Business and Professions Code, and to amend Sections 6592 and 6901 of, to add Section 6471.5 to, and to add Article 1.7 (commencing with Section 6480.50) to Chapter 5 of Part 1 of Division 2 of, the Revenue and Taxation Code, relating to cannabis.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1131, as amended, Calderon. ~~Commericals: state funding prohibition.~~ *Cannabis and cannabis products: licensure: taxation.*

Existing law provides for the licensure by the State Board of Equalization of manufacturers, distributors, wholesalers, importers, and retailers of cigarettes or tobacco products that are engaged in business in California, and prohibits retailers, manufacturers, distributors, and wholesalers from distributing or selling those cigarette and tobacco products unless they are licensed. Existing law also imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property purchased from a retailer for storage, use, or other consumption in this state.

This bill would create the Cannabis Licensing Act and provide for the licensure by the State Board of Equalization of growers, importers, wholesalers, retailers, and transporters of cannabis and cannabis products that are engaged in business in California. The bill would

require these licensed growers, importers, wholesalers, retailers, and transporters to keep records of every sale, transfer, or delivery of cannabis or cannabis products, as specified. The bill would authorize any peace officer and specified employees of the board to conduct inspections, as provided. It would prohibit growers, importers, wholesalers, retailers, and transporters from selling or purchasing cannabis or cannabis products without a license.

The bill would provide for the seizure of cannabis or cannabis products that are sold or purchased in violation of the act. The bill would impose specified penalties for a violation of the act, including license revocation or suspension, civil penalties, and criminal penalties. By imposing criminal penalties, the bill would create a state-mandated local program. The bill would require each wholesaler to prepay the retail sales tax on its gross receipts derived from the sale of cannabis and cannabis products, as specified.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

~~Under existing law, whenever a state agency is required or authorized to prepare and cause the publishing of any notice, advertisement or publication in any newspaper or other medium, that agency is required to properly prepare the notice, advertisement or publication and deliver it to the Department of General Services in due time for publication.~~

~~Existing law establishes the California Film Commission, which has prescribed duties, including taking actions that encourage motion picture and television filming in California. Existing law also provides various incentives, including tax incentives, to specified entities that undertake film production in this state.~~

~~This bill would prohibit the state from expending any state funds for the purpose of filming or producing commercials or other filmed materials, for commercial use, outside of the state.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~yes.
State-mandated local program: ~~no~~yes.

The people of the State of California do enact as follows:

1 SECTION 1. Division 8.9 (commencing with Section 22992)
2 is added to the Business and Professions Code, to read:

3
4 DIVISION 8.9. CANNABIS LICENSING ACT

5
6 CHAPTER 1. GENERAL PROVISIONS AND DEFINITIONS

7
8 22992. This division shall be known, and may be cited, as the
9 Cannabis Licensing Act.

10 22992.1. The board shall administer a statewide program to
11 license sellers and transporters of cannabis and cannabis products.

12 22992.2. For purposes of this division, the following terms
13 shall have the following meanings:

14 (a) “Board” means the State Board of Equalization.

15 (b) “Cannabis” means all parts of the plant *Cannabis sativa*
16 *L.*, whether growing or not; the seeds thereof; the resin extracted
17 from any part of the plant; and every compound, manufacture,
18 salt, derivative, mixture, or preparation of the plant, or its seeds
19 or resin. It does not include the mature stalks of the plant, fiber
20 produced from the stalks, oil, or cake made from the seeds of the
21 plant, any other compound, manufacture, salt, derivative, mixture,
22 or preparation of the mature stalks (except the resin extracted
23 therefrom), fiber, oil, or cake, or the sterilized seed of the plant
24 which is incapable of germination.

25 (c) “Cannabis product” means any article made of, and
26 containing, at least 50 percent, cannabis.

27 (d) “Display for sale” means the placement of cannabis or
28 cannabis products in retail stock for the purpose of selling or
29 gifting the cannabis or cannabis products. For purposes of this
30 definition, the clear and easily visible display of cannabis or
31 cannabis products shall create a rebuttable presumption that either
32 was displayed for sale.

33 (e) “Gifting” means any transfer of title or possession without
34 consideration, exchange, or barter, in any manner or by any means,
35 of cannabis or cannabis products that have been purchased for
36 resale under a license issued pursuant to this division if the transfer
37 occurs while the license is suspended or after the effective date of
38 its revocation.

1 (f) “Grower” means every person that plants, cultivates,
2 harvests, dries, or processes any cannabis or cannabis products.

3 (g) “Importer” means any purchaser for resale in California
4 of cannabis or cannabis products manufactured outside of
5 California for the purpose of making the first sale within
6 California.

7 (h) “License” means a license issued by the board pursuant to
8 this division.

9 (i) “Licensee” means any person holding a license issued by
10 the board pursuant to this division.

11 (j) “Notice” or “notification” means, unless as otherwise
12 provided, the written notice or notification provided to a licensee
13 by the board by either actual delivery to the licensee or by
14 first-class mail addressed to the licensee at the address on the
15 license.

16 (k) “Person” means a person as defined in Section 6005 of the
17 Revenue and Taxation Code.

18 (l) “Retailer” means a retailer as defined in Section 6015 of
19 the Revenue and Taxation Code that engages in this state in the
20 retail sale of cannabis or cannabis products from a retail location,
21 and a retailer as described in Section 6019 of the Revenue and
22 Taxation Code making sales of cannabis or cannabis products.

23 (m) “Retail location” means any building from which cannabis
24 or cannabis products are sold at retail.

25 (n) “Retail sale” means a retail sale as defined in Section 6007
26 of the Revenue and Taxation Code.

27 (o) “Sale” or “sold” means a sale as defined in Section 6006
28 of the Revenue and Taxation Code.

29 (p) “Seller” means a grower, importer, wholesaler, and retailer
30 of cannabis or cannabis products in California, but does not mean
31 a transporter of cannabis or cannabis products.

32 (q) “Transporter” means any common carrier and holder of
33 interstate cannabis transporter’s permits, transporting within
34 California and into California from outside California for delivery
35 or use within California and for transport for delivery or use
36 outside of California.

37 (r) “Wholesaler” means every person, other than a grower or
38 importer, that engages in this state in making sales for resale of
39 cannabis or cannabis products.

1 22992.3. *The board shall administer and enforce the provisions*
2 *of this division and may prescribe, adopt, and enforce rules and*
3 *regulations relating to the administration and enforcement of this*
4 *division.*

5 22992.4. *No person is subject to the requirements of this*
6 *division if that person is exempt from regulation under the United*
7 *States Constitution, the laws of the United States, or the California*
8 *Constitution.*

9 22992.5. *Nothing in this division preempts or supersedes any*
10 *local cannabis or cannabis products law. Local licensing laws*
11 *may provide for the suspension or revocation of the local license*
12 *for any violation of a state cannabis licensing law.*

13 22992.6. *Any notice required by this division shall be served*
14 *personally or by mail. If by mail, the notice shall be placed in a*
15 *sealed envelope, with postage paid, addressed to the licensee at*
16 *the address as it appears in the records of the board. The giving*
17 *of notice shall be deemed complete at the time of deposit of the*
18 *notice in the United States Post Office, or a mailbox, subpost office,*
19 *substation or mail chute, or other facility regularly maintained or*
20 *provided by the United States Postal Service, without extension of*
21 *time for any reason. In lieu of mailing, a notice may be served*
22 *personally by delivering to the person to be served and service*
23 *shall be deemed complete at the time of delivery. Personal service*
24 *to a corporation may be made by delivery of a notice to any person*
25 *designated in the Code of Civil Procedure to be served for the*
26 *corporation with summons and complaints in a civil action.*

27 22992.7. (a) *All information and records provided to the board*
28 *pursuant to this division are confidential in nature and shall not*
29 *be disclosed by the board. Information required under this division*
30 *is not a public record under the California Public Records Act, as*
31 *described in Chapter 3.5 (commencing with Section 6250) of*
32 *Division 7 of Title 1 of the Government Code, and shall not be*
33 *open to public inspection.*

34 (b) *All information and records that are submitted to the board*
35 *by or on behalf of a grower, importer, wholesaler, retailer, or*
36 *transporter which contain the name, address, or any other*
37 *identifying information concerning the grower, importer,*
38 *wholesaler, retailer, or transporter are confidential.*

1 any material matter that he or she knows to be false is guilty of a
2 misdemeanor punishable by imprisonment of up to one year in the
3 county jail, or a fine of not more than one thousand dollars
4 (\$1,000), or by both the imprisonment and the fine.

5 (5) Signature of the applicant.

6 (6) Any other information the board may require.

7 (b) The board may investigate to determine the truthfulness and
8 completeness of the information provided in the application.

9 (c) The board shall provide electronic means for applicants to
10 download and submit applications.

11 22993.4. Every grower or importer of cannabis or cannabis
12 products shall submit with each application or application for
13 renewal a license fee of ____ dollars (\$____). The fee shall be for
14 a calendar year and may not be prorated.

15 22993.6. (a) The board shall issue a license to a grower or
16 importer upon receipt of a completed application and payment of
17 the fee prescribed in Section 22993.4, unless any of the following
18 apply:

19 (1) If the grower or importer is not an individual, any person
20 controlling the grower or importer has previously been issued a
21 license that is suspended or revoked by the board for violation of
22 any of the provisions of this division.

23 (2) The application is for a license or renewal of a license for
24 a grower or importer whose license is revoked or for which
25 revocation is pending, unless either of the following is true:

26 (A) It has been more than five years since a grower or importer's
27 previous license was revoked.

28 (B) The person applying for the license provides the board with
29 documentation demonstrating that the applicant has acquired or
30 is acquiring the business in an arm's length transaction. For
31 purposes of this section, "arm's length transaction" means a sale
32 in good faith and for valuable consideration that reflects the fair
33 market value in the open market between two informed and willing
34 parties, neither under any compulsion to participate in the
35 transaction. A sale of the business between relatives, related
36 companies, or partners, or a sale for the primary purpose of
37 avoiding the effect of the violation of state cannabis or cannabis
38 products control laws that were committed by the wholesaler is
39 presumed not to be made at "arm's length."

1 (3) *If the grower or importer is not an individual, any person*
2 *controlling the grower or importer has been convicted of a felony.*

3 (b) (1) *Any grower or any importer that is denied a license may*
4 *petition for a redetermination of the board's denial of the license*
5 *within 30 days after service upon that grower or that importer of*
6 *the notice of the denial of the license. If a petition for*
7 *redetermination is not filed within the 30-day period, the*
8 *determination of denial becomes final at the expiration of the*
9 *30-day period.*

10 (2) *Every petition for redetermination shall be in writing and*
11 *shall state the specific grounds upon which the petition is founded.*
12 *The petition may be amended to state additional grounds at any*
13 *time prior to the date on which the board issues its order or*
14 *decision upon the petition for redetermination.*

15 (3) *If the petition for redetermination is filed within the 30-day*
16 *period, the board shall reconsider the determination of the denial*
17 *and, if the grower or importer has so requested in the petition,*
18 *shall grant an oral hearing and shall give the grower or the*
19 *importer at least 10 days' notice of the time and place of the*
20 *hearing. The board may continue the hearing from time to time as*
21 *may be necessary.*

22 (4) *The order or decision of the board upon a petition for*
23 *redetermination becomes final 30 days after mailing of notice*
24 *thereof.*

25

26 *CHAPTER 3. LICENSE FOR WHOLESALERS OF CANNABIS AND*
27 *CANNABIS PRODUCTS*

28

29 22994. (a) *Every wholesaler shall annually obtain and*
30 *maintain a license to engage in the sale of cannabis or cannabis*
31 *products. A wholesaler of cannabis and cannabis products that*
32 *owns or controls more than one location shall obtain a separate*
33 *license for each location but may submit a single application for*
34 *all such licenses.*

35 (b) *Licenses shall be valid for a calendar year period upon*
36 *payment of the fee prescribed in Section 22994.4, unless*
37 *surrendered, suspended, or revoked prior to the end of the calendar*
38 *year, and may be renewed each year upon payment of the fee.*

39 (c) *A license issued to a wholesaler under this division is valid*
40 *only with respect to the wholesaler designated on the license and*

1 *may not be transferred or assigned to another wholesaler. A person*
2 *that obtains a license as a wholesaler that ceases to do business*
3 *as specified in the license, or that never commenced business, or*
4 *whose license is suspended or revoked, shall immediately surrender*
5 *the license to the board.*

6 22994.2. (a) *An application for a license or license renewal*
7 *by a wholesaler shall be on a form prescribed by the board and*
8 *shall include all of the following:*

9 (1) *The name, address, and telephone number of the applicant.*

10 (2) *The business name, address, and telephone number of each*
11 *location where cannabis or cannabis products will be sold. For*
12 *applicants who control more than one location, an address for*
13 *receipt of correspondence or notices from the board, such as a*
14 *headquarters or corporate office, shall also be included in the*
15 *application and listed on the license. Citations issued to licensees*
16 *shall be forwarded to all addresses on the license.*

17 (3) *A statement by the applicant affirming that the applicant*
18 *has not been convicted of a felony and has not violated and will*
19 *not violate or cause or permit to be violated any of the provisions*
20 *of this division or any rule of the board applicable to the applicant*
21 *or pertaining to the growing, importing, sale, or distribution of*
22 *cannabis or cannabis products. If the applicant is unable to affirm*
23 *this statement, the application shall contain a statement by the*
24 *applicant of the nature of any violation or the reasons that prevent*
25 *the applicant from complying with the requirements with respect*
26 *to the statement.*

27 (4) *If any other licenses or permits have been issued by the*
28 *board or the Department of Alcoholic Beverage Control to the*
29 *applicant, the license or permit numbers for each license or permit*
30 *then in effect.*

31 (5) *A statement by the applicant that the contents of the*
32 *application are complete, true, and correct. Any person who signs*
33 *a statement pursuant to this subdivision that asserts the truth of*
34 *any material matter that he or she knows to be false is guilty of a*
35 *misdemeanor punishable by imprisonment of up to one year in the*
36 *county jail, or a fine of not more than one thousand dollars*
37 *(\$1,000), or by both the imprisonment and the fine.*

38 (6) *Signature of the applicant.*

39 (7) *Any other information the board may require.*

1 (b) The board may investigate to determine the truthfulness and
2 completeness of the information provided in the application.

3 (c) The board shall provide electronic means for applicants to
4 download and submit applications.

5 22994.4. Every wholesaler of cannabis and cannabis products
6 shall submit a license fee of _____ dollars (\$____) for each
7 location with each application and each application for renewal.
8 An applicant that owns or controls more than one location shall
9 obtain a separate license for each location but may submit a single
10 application for those licenses or renewal of those licenses. The fee
11 shall be for a calendar year and may not be prorated.

12 22994.6. (a) The board shall issue a license to a wholesaler
13 upon receipt of a completed application and payment of the fee
14 prescribed in Section 22994.4, unless any of the following apply:

15 (1) If the wholesaler is not an individual, any person controlling
16 the wholesaler has previously been issued a license that is
17 suspended or revoked by the board for violation of any of the
18 provisions of this division.

19 (2) The application is for a license or renewal of a license for
20 a wholesaler whose license is revoked or for which revocation is
21 pending, unless either of the following is true:

22 (A) It has been more than five years since a wholesaler’s
23 previous license was revoked.

24 (B) The person applying for the license provides the board with
25 documentation demonstrating that the applicant has acquired or
26 is acquiring the business in an arm’s length transaction. For
27 purposes of this section, “arm’s length transaction” means a sale
28 in good faith and for valuable consideration that reflects the fair
29 market value in the open market between two informed and willing
30 parties, neither under any compulsion to participate in the
31 transaction. A sale of the business between relatives, related
32 companies, or partners, or a sale for the primary purpose of
33 avoiding the effect of the violation of state cannabis or cannabis
34 products control laws that were committed by the wholesaler is
35 presumed not to be made at “arm’s length.”

36 (3) If the wholesaler is not an individual, any person controlling
37 the wholesaler has been convicted of a felony.

38 (b) (1) Any wholesaler that is denied a license may petition for
39 a redetermination of the board’s denial of the license within 30
40 days after service upon that wholesaler of the notice of the denial

1 of the license. If a petition for redetermination is not filed within
2 the 30-day period, the determination of denial becomes final at
3 the expiration of the 30-day period.

4 (2) Every petition for redetermination shall be in writing and
5 shall state the specific grounds upon which the petition is founded.
6 The petition may be amended to state additional grounds at any
7 time prior to the date on which the board issues its order or
8 decision upon the petition for redetermination.

9 (3) If the petition for redetermination is filed within the 30-day
10 period, the board shall reconsider the determination of the denial
11 and, if the wholesaler has so requested in the petition, shall grant
12 the wholesaler an oral hearing and shall give the wholesaler at
13 least 10 days' notice of the time and place of the hearing. The
14 board may continue the hearing from time to time as may be
15 necessary.

16 (4) The order or decision of the board upon a petition for
17 redetermination becomes final 30 days after mailing of notice
18 thereof.

19

20 CHAPTER 4. LICENSE FOR RETAILERS OF CANNABIS AND
21 CANNABIS PRODUCTS

22

23 22995. (a) Every retailer of cannabis and cannabis products
24 shall annually obtain and maintain a license under this division
25 to engage in the sale of cannabis or cannabis products in
26 California. A retailer of cannabis and cannabis products that owns
27 or controls more than one retail location shall obtain a separate
28 license for each retail location but may submit a single application
29 for these licenses.

30 (b) Licenses shall be valid for a calendar year period upon
31 payment of the fee prescribed in Section 22995.4, unless
32 surrendered, suspended, or revoked prior to the end of the calendar
33 year, and may be renewed each year upon payment of the fee.

34 (c) The retailer shall conspicuously display the license at each
35 retail location in a manner visible to the public.

36 (d) A license issued to a retailer under this division is only valid
37 with respect to the retailer designated on the license and may not
38 be transferred or assigned to another retailer. A person that
39 obtains a license as a retailer that ceases to do business as
40 specified in the license, or that never commenced business, or

1 *whose license is suspended or revoked, shall immediately surrender*
2 *the license to the board.*

3 *22995.2. (a) An application for a license or license renewal*
4 *by a retailer shall be on a form prescribed by the board and shall*
5 *include all of the following:*

6 *(1) The name, address, and telephone number of the applicant.*

7 *(2) The business name, address, and telephone number of each*
8 *retail location where cannabis or cannabis products will be sold.*

9 *For applicants who control more than one retail location, an*
10 *address for receipt of correspondence or notices from the board,*
11 *such as a headquarters or corporate office of the retailer, shall*
12 *also be included in the application and listed on the license.*
13 *Citations issued to licensees shall be forwarded to all addresses*
14 *on the license.*

15 *(3) A statement by the applicant affirming that the applicant*
16 *has not been convicted of a felony and has not violated and will*
17 *not violate or cause or permit to be violated any of the provisions*
18 *of this division or any rule of the board applicable to the applicant*
19 *or pertaining to the growing, importing, sale, or distribution of*
20 *cannabis or cannabis products. If the applicant is unable to affirm*
21 *this statement, the application shall contain a statement by the*
22 *applicant of the nature of any violation or the reasons that prevent*
23 *the applicant from complying with the requirements with respect*
24 *to the statement.*

25 *(4) If any other licenses or permits have been issued by the*
26 *board or the Department of Alcoholic Beverage Control to the*
27 *applicant, the license or permit number of each license or permit*
28 *then in effect.*

29 *(5) A statement by the applicant that the contents of the*
30 *application are complete, true, and correct. Any person who signs*
31 *a statement pursuant to this subdivision that asserts the truth of*
32 *any material matter that he or she knows to be false is guilty of a*
33 *misdemeanor punishable by imprisonment of up to one year in the*
34 *county jail, or a fine of not more than one thousand dollars*
35 *(\$1,000), or by both the imprisonment and the fine.*

36 *(6) Signature of the applicant.*

37 *(7) Any other information the board may require.*

38 *(b) The board may investigate to determine the truthfulness and*
39 *completeness of the information provided in the application.*

1 (c) The board may issue a license to an applicant for a retail
2 location without further investigation if the applicant holds a valid
3 license from the Department of Alcoholic Beverage Control for
4 that same location.

5 (d) The board shall provide electronic means for applicants to
6 download and submit applications.

7 22995.4. Every retailer of cannabis and cannabis products
8 shall submit a license fee of _____ dollars (\$____) for each
9 location where cannabis or cannabis products are sold with each
10 application and each application for renewal. An applicant that
11 owns or controls more than one retail location shall obtain a
12 separate license for each retail location, but may submit a single
13 application for those licenses or renewal of those licenses. The fee
14 shall be for a calendar year and may not be prorated.

15 22995.6. (a) The board shall issue a license to a retailer upon
16 receipt of a completed application and payment of the fee
17 prescribed in Section 22995.4, unless any of the following apply:

18 (1) If the retailer or, if the retailer is not an individual, any
19 person controlling the retailer has previously been issued a license
20 that is suspended or revoked by the board for violation of any of
21 the provisions of this division.

22 (2) The application is for a license or renewal of a license for
23 a retail location that is the same retail location as that of a retailer
24 whose license was revoked or for which revocation is pending,
25 unless either of the following is true:

26 (A) It has been more than five years since a previous license
27 for the retail location was revoked.

28 (B) The person applying for the license provides the board with
29 documentation demonstrating that the applicant has acquired or
30 is acquiring the premises or business in an arm's length
31 transaction. For purposes of this section, "arm's length
32 transaction" means a sale in good faith and for valuable
33 consideration that reflects the fair market value in the open market
34 between two informed and willing parties, neither under any
35 compulsion to participate in the transaction. A sale between
36 relatives, related companies, or partners, or a sale for the primary
37 purpose of avoiding the effect of the violation of this division that
38 occurred at the retail location, is presumed not to be made at
39 "arm's length."

1 (3) *The retailer or, if the retailer is not an individual, any person*
2 *controlling the retailer, has been convicted of a felony.*

3 (4) *The retailer does not possess all required permits or licenses*
4 *required under the Revenue and Taxation Code or Division 8.6*
5 *(commencing with Section 22970) of this code.*

6 (b) (1) *Any retailer that is denied a license may petition for a*
7 *redetermination of the board’s denial of the license within 30 days*
8 *after service upon that retailer of the notice of the denial of the*
9 *license. If a petition for redetermination is not filed within the*
10 *30-day period, the determination of denial becomes final at the*
11 *expiration of the 30-day period.*

12 (2) *Every petition for redetermination shall be in writing and*
13 *shall state the specific grounds upon which the petition is founded.*
14 *The petition may be amended to state additional grounds at anytime*
15 *prior to the date on which the board issues its order or decision*
16 *upon the petition for redetermination.*

17 (3) *If the petition for redetermination is filed within the 30-day*
18 *period, the board shall reconsider the determination of the denial*
19 *and, if the retailer has so requested in the petition, shall grant the*
20 *retailer an oral hearing and shall give the retailer at least 10 days’*
21 *notice of the time and place of the hearing. The board may continue*
22 *the hearing from time to time as may be necessary.*

23 (4) *The order or decision of the board upon a petition for*
24 *redetermination becomes final 30 days after mailing of notice*
25 *thereof.*

26

27 *CHAPTER 5. LICENSE FOR TRANSPORTERS OF CANNABIS AND*
28 *CANNABIS PRODUCTS*

29

30 22996. (a) *Every common carrier transporting cannabis or*
31 *cannabis products within California and into California from*
32 *outside California for delivery or use within California and for*
33 *transport for delivery or use outside of California, shall annually*
34 *obtain and maintain a license under this division to engage in the*
35 *transportation of cannabis and cannabis products in California.*
36 *A common carrier that owns or controls more than one*
37 *transportation vehicle shall obtain a separate license for each*
38 *vehicle that is used to transport cannabis or cannabis products,*
39 *but may submit a single application for these licenses.*

1 (b) A license issued to a transporter under this division is only
2 valid with respect to the transporter designated on the license and
3 may not be transferred or assigned to another transporter.

4 (c) Licenses shall be valid for a calendar year period upon
5 payment of the fee prescribed in Section 22996.4, unless
6 surrendered, suspended, or revoked prior to the end of the calendar
7 year, and may be renewed each year upon payment of the fee.

8 (d) A person that obtains a license as a transporter that ceases
9 to do business as specified in the license, or that never commenced
10 business, or whose license is suspended or revoked, shall
11 immediately surrender the license to the board.

12 22996.2. (a) An application for a license or license renewal
13 by a transporter shall be on a form prescribed by the board and
14 shall include all of the following:

15 (1) The name, address, and telephone number of the applicant.

16 (2) The business name, address, and telephone number.
17 Citations issued to licensees shall be forwarded to all addresses
18 on the license.

19 (3) A statement by the applicant affirming that the applicant
20 has not been convicted of a felony and has not violated and will
21 not violate or cause or permit to be violated any of the provisions
22 of this division or any rule of the board applicable to the applicant
23 or pertaining to the growing, importing, sale, or distribution of
24 cannabis or cannabis products. If the applicant is unable to affirm
25 this statement, the application shall contain a statement by the
26 applicant of the nature of any violation or the reasons that prevent
27 the applicant from complying with the requirements with respect
28 to the statement.

29 (4) A statement by the applicant that the contents of the
30 application are complete, true, and correct. Any person who signs
31 a statement pursuant to this subdivision that asserts the truth of
32 any material matter that he or she knows to be false is guilty of a
33 misdemeanor punishable by imprisonment of up to one year in the
34 county jail, or a fine of not more than one thousand dollars
35 (\$1,000), or by both the imprisonment and the fine.

36 (5) Signature of the applicant.

37 (6) Any other information the board may require.

38 (b) The board may investigate to determine the truthfulness and
39 completeness of the information provided in the application.

1 (c) The board shall provide electronic means for applicants to
2 download and submit applications.

3 22996.4. Every transporter of cannabis and cannabis products
4 shall submit a license fee of _____ dollars (\$_____) for each vehicle
5 used to transport cannabis or cannabis products with each
6 application and each application for renewal. An applicant that
7 owns or controls more than one transportation vehicle shall obtain
8 a separate license for each transportation vehicle, but may submit
9 a single application for those licenses or renewal of those licenses.
10 The fee shall be for a calendar year and may not be prorated.

11 22996.6. (a) The board shall issue a license to a transporter
12 upon receipt of a completed application and payment of the fee
13 prescribed in Section 22996.4, unless any of the following apply:

14 (1) If the transporter or, if the transporter is not an individual,
15 any person controlling the transporter has previously been issued
16 a license that is suspended or revoked by the board for violation
17 of any of the provisions of this division, unless it has been more
18 than five years since a previous license was revoked.

19 (2) The transporter or, if the transporter is not an individual,
20 any person controlling the transporter, has been convicted of a
21 felony.

22 (b) (1) Any transporter that is denied a license may petition for
23 a redetermination of the board's denial of the license within 30
24 days after service upon that retailer of the notice of the denial of
25 the license. If a petition for redetermination is not filed within the
26 30-day period, the determination of denial becomes final at the
27 expiration of the 30-day period.

28 (2) Every petition for redetermination shall be in writing and
29 shall state the specific grounds upon which the petition is founded.
30 The petition may be amended to state additional grounds at anytime
31 prior to the date on which the board issues its order or decision
32 upon the petition for redetermination.

33 (3) If the petition for redetermination is filed within the 30-day
34 period, the board shall reconsider the determination of the denial
35 and, if the retailer has so requested in the petition, shall grant the
36 retailer an oral hearing and shall give the retailer at least 10 days'
37 notice of the time and place of the hearing. The board may continue
38 the hearing from time to time as may be necessary.

1 (4) *The order or decision of the board upon a petition for*
2 *redetermination becomes final 30 days after mailing of notice*
3 *thereof.*

4 22996.8. (a) *Common carriers transporting cannabis or*
5 *cannabis products within California and into California from*
6 *outside California for delivery or use within California and for*
7 *transport for delivery or use outside of California, shall obtain*
8 *from the licensee a receipt for the cannabis so transported and*
9 *delivered. This receipt shall be carried with the load at all times*
10 *and contain all of the following information:*

11 (1) *Name of shipper.*

12 (2) *Point of origin.*

13 (3) *Name of licensee to whom delivery is made.*

14 (4) *Place of delivery.*

15 (5) *Name of carrier making delivery.*

16 (6) *A complete description of the shipment.*

17 (7) *The number of the waybill covering the shipments.*

18 (8) *In the case of rail shipments, the car number, and in the*
19 *case of water shipments, the name of the vessel and the number*
20 *of the steamship bill of lading.*

21 (b) *A copy of the freight bill or other shipping document*
22 *containing all of this information shall be deemed to be in*
23 *compliance with this requirement. A copy of the receipt shall be*
24 *delivered to the licensee to whom delivery is made. With respect*
25 *to pool shipments in which more than one licensees participate,*
26 *the common carrier shall furnish a copy of the receipt to each*
27 *participating licensee.*

28 (c) *All deliveries of cannabis and cannabis products, shipment*
29 *of which originated outside California, made to California*
30 *importers, shall be reported to the board in Sacramento by common*
31 *carriers and holders of interstate cannabis transporters' permits.*
32 *The report shall be filed with the board on forms prescribed by*
33 *the board not later than the 15th day of each month covering those*
34 *deliveries made in the previous calendar month.*

35
36 *CHAPTER 6. INVOICES*
37

38 22997. (a) *Every sale, transfer, or delivery of cannabis or*
39 *cannabis products from one licensee to another licensee shall be*
40 *recorded on a sales invoice, whether or not consideration is*

1 *involved. Invoices covering the sale or purchase of cannabis or*
2 *cannabis products shall be filed in a manner as to be readily*
3 *accessible for examination by employees of the board and shall*
4 *not be commingled with invoices covering commodities other than*
5 *cannabis and cannabis products.*

6 *(b) Each sales invoice shall have printed thereon the name and*
7 *address of the seller and shall show all of the following*
8 *information:*

9 *(1) Name, address, and license number of the seller and the*
10 *purchaser.*

11 *(2) Board-issued license numbers of the seller and the*
12 *purchaser.*

13 *(3) Date of sale and invoice number.*

14 *(4) Kind, quantity, size, and capacity of packages of cannabis*
15 *and cannabis products sold.*

16 *(5) The cost to the purchaser, together with any discount which*
17 *at any time is to be given on or from the price as shown on the*
18 *invoice.*

19 *(6) The place from which delivery of the cannabis or cannabis*
20 *products was made.*

21 *(c) Invoices covering sales of cannabis or cannabis products*
22 *between licensees shall show, in addition to the information in*
23 *paragraphs (1) to (6), inclusive, of subdivision (b), the total weight*
24 *covered by the invoice.*

25 *(d) Invoices covering the sale of cannabis or cannabis products*
26 *for export must be marked or stamped: "Sold for export."*

27 *(e) Each invoice for the sale of cannabis or cannabis products*
28 *shall be legible and readable.*

29 *22997.2. All growers, importers, wholesalers, retailers, and*
30 *transporters subject to licensing under this division shall retain*
31 *invoices that meet the requirements set forth in Section 22997 for*
32 *all cannabis or cannabis products purchased and sold and any*
33 *other records required by the board. The invoices and records*
34 *shall be maintained for a period of one year from the date of the*
35 *purchase or sale at the licensee's location identified in the license,*
36 *and thereafter, the invoices and records shall be made available*
37 *for inspection by the board or a law enforcement agency for a*
38 *period of four years.*

1 *CHAPTER 7. INSPECTIONS, PROHIBITIONS, AND PENALTIES*

2
3 *Article 1. Inspections*

4
5 22998. (a) (1) *Any peace officer or board employee granted*
6 *limited peace officer status pursuant to paragraph (6) of*
7 *subdivision (a) of Section 830.11 of the Penal Code, upon*
8 *presenting appropriate credentials, is authorized to enter any place*
9 *as described in paragraph (3) and to conduct inspections in*
10 *accordance with the requirements of this subdivision.*

11 (2) *Inspections shall be performed in a reasonable manner and*
12 *at times that are reasonable under the circumstances, taking into*
13 *consideration the normal business hours of the place to be entered.*

14 (3) *Inspections may be conducted at any place or upon any*
15 *vehicle at which cannabis or cannabis products are sold, produced,*
16 *stored, or transported.*

17 (4) *Inspections shall be requested or conducted no more than*
18 *once in any 24-hour period.*

19 (b) *Any person that refuses to allow an inspection shall be*
20 *subject to penalties pursuant to Section 22998.22.*

21
22 *Article 2. Prohibitions*

23
24 22998.2. (a) *No grower or importer shall sell cannabis or*
25 *cannabis products to a wholesaler, retailer, or any other person*
26 *that is not licensed pursuant to this division or whose license has*
27 *been suspended or revoked.*

28 (b) *No wholesaler shall sell cannabis or cannabis products to*
29 *a retailer, wholesaler, or any other person that is not licensed*
30 *pursuant to this division or whose license has been suspended or*
31 *revoked.*

32 (c) *No retailer or wholesaler shall purchase packages of*
33 *cannabis or cannabis products from a grower or importer that is*
34 *not licensed pursuant to this division or whose license has been*
35 *suspended or revoked.*

36 (d) *No retailer or wholesaler shall purchase cannabis or*
37 *cannabis products from any person that is not licensed pursuant*
38 *to this division or whose license has been suspended or revoked.*

1 (e) Each separate sale to a retailer, or by a grower or importer,
2 or to or by a wholesaler or any other person that is not licensed
3 pursuant to this division shall constitute a separate violation.

4 (f) Failure to comply with the provisions of this section shall
5 be a misdemeanor subject to penalties pursuant to Section
6 22998.22.

7
8
9

Article 3. Seizure for Violating Prohibitions

10 22998.4. Notwithstanding any other provision of this division,
11 upon discovery by the board or a law enforcement agency that a
12 grower, importer, wholesaler, retailer, or any other person has
13 made a purchase or sale of cannabis or cannabis products in
14 violation of Section 22998.2, the board or the law enforcement
15 agency may seize all cannabis or cannabis products at the location
16 of the grower, importer, wholesaler, or retailer, or any other
17 location it deems necessary, or any other person’s location. Any
18 cannabis or cannabis products seized by a law enforcement agency
19 shall be delivered to the board, or its designee, within seven days,
20 unless the cannabis or cannabis products will be destroyed by that
21 law enforcement agency, or unless the cannabis or cannabis
22 products are otherwise required to be used as evidence in an
23 administrative, criminal, or civil proceeding, or as part of an
24 ongoing law enforcement operation. Any cannabis or cannabis
25 products seized by the board or delivered to the board by a law
26 enforcement agency shall be deemed forfeited and destroyed.

27
28
29

Article 4. Invoicing Penalties

30 22998.6. (a) Failure of a licensee to comply with Section 22997
31 or 22997.2 shall be a misdemeanor subject to penalties pursuant
32 to Section 22998.22.

33 (b) Any retailer found in violation of Section 22997 or 22997.2,
34 or any person who fails, refuses, or neglects to retain or make
35 available invoices for inspection and copying during normal
36 business hours in accordance with this section shall be subject to
37 penalties pursuant to Section 22998.22.

1 *Article 5. Penalty for Unlicensed Sales*

2
3 22998.8. (a) *A person or entity that engages in the business*
4 *of selling cannabis or cannabis products in this state either without*
5 *a valid license or after a license has been suspended or revoked,*
6 *and each officer of any corporation that so engages in this*
7 *business, is guilty of a misdemeanor punishable as provided in*
8 *Section 22998.22.*

9 (b) *Each day after notification by the board or by a law*
10 *enforcement agency that a grower, wholesaler, importer, retailer,*
11 *or any other person required to be licensed under this division*
12 *offers cannabis or cannabis products for sale or exchange without*
13 *a valid license for the location from which they are offered for*
14 *sale shall constitute a separate violation.*

15 (c) *Continued sales or gifting of cannabis or cannabis products*
16 *either without a valid license or after a notification of suspension*
17 *or revocation shall constitute a violation punishable as provided*
18 *in Section 22998.22, and shall result in the seizure of all cannabis*
19 *and cannabis products in the possession of the person by the board*
20 *or a law enforcement agency. Any cannabis or cannabis products*
21 *seized by the board or delivered to the board by a law enforcement*
22 *agency shall be deemed forfeited and destroyed.*

23
24 *Article 6. Suspension or Revocation Penalty*

25
26 22998.10. *The board may suspend the license or revoke the*
27 *license, pursuant to the provisions applicable to the revocation of*
28 *a license as set forth in Section 30148 of the Revenue and Taxation*
29 *Code, of any licensee that has failed to comply with the*
30 *requirements of this section.*

31 22998.12. *The board shall revoke the license, pursuant to the*
32 *provisions applicable to the revocation of a license as set forth in*
33 *Section 30148 of the Revenue and Taxation Code, of any retailer*
34 *or any person controlling the retailer that has:*

35 (a) *Been convicted of a felony.*

36 (b) *Had any permit or license revoked under any provision of*
37 *the Revenue and Taxation Code or Division 8.6 (commencing with*
38 *Section 22970) of the Business and Professions Code.*

1 22998.14. *In addition to any other civil or criminal penalty*
2 *provided by law, upon a finding that a licensee has violated any*
3 *provision of this division, the board may take the following actions:*

4 (a) *In the case of the first offense, the board may revoke or*
5 *suspend the license or licenses of the licensee pursuant to the*
6 *procedures applicable to the revocation of a license as set forth*
7 *in Section 30148 of the Revenue and Taxation Code.*

8 (b) *In the case of a second or any subsequent offense, in addition*
9 *to the action authorized under subdivision (a), the board may*
10 *impose a civil penalty in an amount not to exceed the greater of*
11 *either of the following:*

12 (1) *Five times the retail value of the seized cannabis or cannabis*
13 *products.*

14 (2) *Ten thousand dollars (\$10,000).*

15 22998.16. (a) *Licenses issued pursuant to this division shall*
16 *be subject to suspension or revocation for violations of this division*
17 *or Part 1 (commencing with Section 6001) of Division 2 of the*
18 *Revenue and Taxation Code.*

19 (1) *In addition to any applicable fines or penalties for a*
20 *violation, upon first conviction of a violation, a licensee shall*
21 *receive a written notice from the board detailing the suspension*
22 *and revocation provisions of this division. At its discretion, the*
23 *board may also suspend a license for up to 30 days.*

24 (2) *In addition to any applicable fines or penalties for a*
25 *violation, upon a second conviction of a violation within four years*
26 *of a previous violation, the license shall be revoked.*

27 (b) *The date of the occurrence of a violation shall be used to*
28 *calculate the duration between subsequent violations. A violation*
29 *shall be noted in the license record at the board only after judicial*
30 *conviction or final adjudication of a violation.*

31 (c) *Upon updating a record for a violation triggering a*
32 *suspension, the board shall serve the licensee with a notice of*
33 *suspension and shall order the licensee to cease the sale, gifting,*
34 *or displaying for sale of cannabis or cannabis products for the*
35 *period of the suspension. The notice of suspension shall inform*
36 *the licensee of the effective dates of the suspension.*

37 (d) *Continued sales or gifting of cannabis or cannabis products*
38 *after the effective date of the suspension shall constitute a violation*
39 *of this division and result in the revocation of a license.*

1 (e) Upon updating a record for a violation triggering a
2 revocation, the board shall serve the licensee with a notice of
3 revocation and shall order the licensee to cease the sale, gifting,
4 or displaying for sale of cannabis or cannabis products on and
5 after the effective date of the revocation. The notice of revocation
6 shall inform the licensee of the effective date of the revocation.

7 (f) After a revocation, a previously licensed applicant may apply
8 for a new license after six months. The board may, at its discretion,
9 issue a new license.

10 (g) Upon updating a license record for a violation, suspension,
11 or revocation to a license of a person or entity that owns or
12 controls more than one location, the board shall send notice in
13 writing of the violations, suspensions, or revocations within 15
14 days of the board's action to the address included in the
15 application and listed on the license for receipt of correspondence
16 or notices from the board.

17 (h) Upon suspension or revocation of a license pursuant to this
18 section, the board shall notify all licensees by electronic mail
19 within 48 hours of the suspension or revocation of that license.
20 All licensed licensees shall provide the board and shall update,
21 as necessary, an electronic mail address that the board can use
22 for purposes of making the notifications required by this
23 subdivision.

24 (i) Violations by a licensee at one location may not be
25 accumulated against other locations of that same licensee.
26 Violations accumulated against a prior owner at a licensed
27 location may not be accumulated against a new owner at the same
28 licensed location.

29 (j) For purposes of this section, a violation includes violations
30 of Part 1 (commencing with Section 6001) of Division 2 of the
31 Revenue and Taxation Code relating to cannabis or cannabis
32 products, and violations of this division. Only one violation per
33 discrete action shall be counted toward a suspension or revocation
34 of a license.

35 22998.18. A person who, after receiving a notice of suspension
36 or revocation, continues to display for sale cannabis or cannabis
37 products shall be subject to a civil penalty of one thousand dollars
38 (\$1,000) for each offense, and shall not be subject to Section
39 22998.22.

1 *Article 7. Notice of Suspension or Revocation*

2
3 22998.20. (a) *A retailer whose license has been suspended or*
4 *revoked by order of the board shall conspicuously post a notice*
5 *at both of the following locations:*

6 (1) *Each public entrance to the retail location. The notice shall*
7 *directly face any person who enters the retail location and shall*
8 *not be obstructed from view or placed at a height of less than four*
9 *feet or greater than nine feet from the floor.*

10 (2) *Each cash register and other point of retail sale. The notice*
11 *shall be posted so as to be readily viewable by a person standing*
12 *at or approaching the cash register or other point of retail sale.*
13 *The notice shall directly face the purchaser and shall not be*
14 *obstructed from view or placed at a height of less than four feet*
15 *or greater than nine feet from the floor.*

16 (b) *The notices described in this section shall be in the size and*
17 *form prescribed by the board. The notice shall be provided by the*
18 *board and may be reproduced in the same size and form in order*
19 *to comply with subdivision (a).*

20 (c) *A retailer whose license was suspended shall post the notice*
21 *at the retail location that was the subject of the suspension for the*
22 *duration of the suspension.*

23 (d) *A retailer whose license was revoked shall post the notice*
24 *at the retail location that was the subject of the revocation for a*
25 *30-day period from the effective date of the revocation.*

26 (e) *Every retailer who fails to post the notices as required by*
27 *this section, who alters the notice provided by the board, or who*
28 *removes the notice before the posting period required in*
29 *subdivision (c) or (d), as applicable, expires, shall be subject,*
30 *notwithstanding Section 22998.22, to a civil penalty of one*
31 *thousand dollars (\$1,000) for each offense.*

32
33 *Article 8. Criminal Penalty*

34
35 22998.22. *Any violation of this division by any person, except*
36 *as otherwise provided, is a misdemeanor. Each offense shall be*
37 *punished by a fine not to exceed five thousand dollars (\$5,000),*
38 *or imprisonment not exceeding one year in a county jail, or both*
39 *the fine and imprisonment. The court shall order any fines assessed*

1 *be deposited in the Cannabis and Cannabis Products Compliance*
2 *Fund, which is hereby created in the General Fund.*

3
4 *Article 9. Miscellaneous*
5

6 22998.24. *Any prosecution for a violation of any of the penal*
7 *provisions of this division shall be instituted within four years after*
8 *the commission of the offense.*

9 22998.26. *The provisions of Chapter 4 (commencing with*
10 *Section 55121) of Part 30 of Division 2 of the Revenue and*
11 *Taxation Code shall apply with respect to the collection of the*
12 *fees, civil fines, and penalties imposed pursuant to this division.*

13 22998.28. *The board may cancel or revoke any license which*
14 *has been issued erroneously or issued based on erroneous or false*
15 *statements.*

16 *SEC. 2. Section 6471.5 is added to the Revenue and Taxation*
17 *Code, to read:*

18 6471.5. *Any person required to make a prepayment pursuant*
19 *to Article 1.7 (commencing with Section 6480.50) may not be*
20 *required to make an additional prepayment pursuant to this article,*
21 *provided that more than 75 percent of the gross receipts of that*
22 *person are from the retail sale of cannabis or cannabis products.*

23 *SEC. 3. Article 1.7 (commencing with Section 6480.50) is added*
24 *to Chapter 5 of Part 1 of Division 2 of the Revenue and Taxation*
25 *Code, to read:*

26
27 *Article 1.7. Prepayment of Sales Tax on Cannabis and Cannabis*
28 *Products*
29

30 6480.50. (a) *For purposes of the imposition of the prepayment*
31 *of sales tax on cannabis and cannabis products pursuant to this*
32 *article, “cannabis” and “cannabis product” have the meanings*
33 *set forth in Section 22992.2 of the Business and Professions Code.*

34 (b) *“Wholesaler” includes every person making sales other*
35 *than retail sales of cannabis and cannabis products. “Wholesaler”*
36 *does not include any person making sales of cannabis and cannabis*
37 *products at retail in the capacity of an operator of a medical*
38 *cannabis dispensary or any other retail establishment.*

39 (c) *With respect to cannabis and cannabis products, “sale”*
40 *means the transfer of title or possession, exchange, or barter,*

1 conditional or otherwise, in any manner or by any means
2 whatsoever, of cannabis and cannabis products to a purchaser for
3 a consideration.

4 6480.51. (a) At any time that cannabis or cannabis products
5 are sold in this state, the wholesaler shall prepay the retail sales
6 tax on his or her gross receipts derived from that sale of cannabis
7 and those cannabis products. Each wholesaler shall report and
8 pay the prepayment amounts to the board, in a form as prescribed
9 by the board, in the period in which the cannabis and cannabis
10 products are sold. The prepayment amounts shall be collected by
11 the wholesaler from the purchaser to whom the cannabis and
12 cannabis products are sold. The prepayment amount constitutes
13 a debt owed by the wholesaler to this state until paid to the board,
14 until satisfactory proof has been submitted to prove that the retailer
15 of the cannabis and cannabis products has paid the retail sales
16 tax to the board, or until a wholesaler who has consumed the
17 cannabis and cannabis products has paid the use tax to the board
18 on the sales price of the amount consumed. On any subsequent
19 sale of that cannabis or cannabis product, each wholesaler shall
20 collect from his or her purchaser a prepayment computed using
21 the combined rate specified in subdivision (e) of the gross receipts
22 from that sale.

23 (b) (1) Each wholesaler shall provide his or her purchaser with
24 an invoice for or other evidence of the collection of the prepayment
25 amounts, which shall be separately stated thereon.

26 (2) Each wholesaler shall report to the board, in a form as
27 prescribed by the board and for the period in which the cannabis
28 and cannabis products were sold, all of the following:

29 (A) The amount of cannabis and cannabis products sold, the
30 gross receipts derived from the sale, and the amount of sales tax
31 prepayments collected by the wholesaler.

32 (B) The amount of tax-paid cannabis and cannabis products
33 purchased, the sales price of that amount, and the amount of sales
34 tax prepayments made by the wholesaler.

35 (C) If the amount of sales tax prepayments collected by the
36 wholesaler is greater than the amount of sales tax prepayments
37 made by the wholesaler, then the excess constitutes a debt owed
38 by the wholesaler to the state until paid to the board, or until
39 satisfactory proof has been submitted that the retailer of the
40 cannabis and cannabis products has paid the tax to the board.

1 (c) A wholesaler who pays the prepayment and issues a resale
2 certificate to the seller, but subsequently consumes the cannabis
3 or cannabis product, shall be entitled to a credit against his or
4 her sales and use taxes due and payable for the period in which
5 the prepayment was made, provided that he or she reports and
6 pays the use tax to the board on the consumption of that cannabis
7 or cannabis product.

8 (d) The amount of a prepayment paid by the retailer or a
9 wholesaler who has consumed the cannabis and cannabis products
10 to the seller from whom he or she acquired the cannabis and
11 cannabis products shall constitute a credit against his or her sales
12 and use taxes due and payable for the period in which the sale
13 was made. Failure of the wholesaler to report prepayments or a
14 wholesaler's failure to comply with any other duty under this
15 article shall not constitute grounds for denial of the credit to the
16 retailer or wholesaler, either on a temporary or permanent basis
17 or otherwise. To be entitled to the credit, the retailer or wholesaler
18 shall retain for inspection by the board any receipts, invoices, or
19 other documents showing the amount of sales tax prepaid to his
20 or her wholesaler, together with the evidence of payment.

21 (e) The rate of the prepayment required to be collected shall be
22 the combined rate of tax imposed pursuant to this part, Part 1.5
23 (commencing with Section 7200), and Section 35 of Article XIII
24 of the California Constitution on all sales of cannabis and cannabis
25 products sold by wholesalers in this state.

26 6480.52. (a) If the board determines that it is necessary for
27 the efficient administration of this part, the board may require a
28 wholesaler to provide the board with a list of purchasers to whom
29 the cannabis and cannabis products were sold.

30 (b) In addition to any other reports required under this article,
31 the board may, by rule and otherwise, require additional, other,
32 or supplemental reports, in any form which the board may require,
33 from wholesalers with respect to their sales of cannabis and
34 cannabis products.

35 (c) Any wholesaler who fails to comply with this section is guilty
36 of a misdemeanor punishable as provided in Section 7153.

37 6480.53. The wholesaler shall file his or her prepayment form
38 together with a remittance of the prepayment amounts, if any,
39 required to be collected pursuant to Section 6480.51 payable to
40 the State Board of Equalization, on or before the last day of the

1 month following the monthly period to which the prepayment form
2 or each prepayment relates.

3 6480.54. (a) Any wholesaler who fails to make a timely
4 remittance to the board of the prepayment amounts, if any, required
5 pursuant to Sections 6480.51 and 6480.53 shall also pay a penalty
6 of 10 percent of the amount of the prepayment due but not paid,
7 plus interest at the modified adjusted rate per month, or fraction
8 thereof, established pursuant to Section 6591.5, from the date the
9 prepayment became due and payable to the state until the date of
10 payment.

11 (b) The penalty amount specified in subdivision (a) shall be 25
12 percent if the wholesaler or wholesaler knowingly or intentionally
13 fails to make a timely remittance.

14 6480.55. (a) The following persons who have paid prepayment
15 amounts either directly to the board or to the person from whom
16 the cannabis or cannabis products were purchased shall be
17 refunded those amounts:

18 (1) Any person who exports the cannabis or cannabis products
19 for subsequent sale outside this state.

20 (2) Any person who sells cannabis or cannabis products whose
21 sale, or storage, use, or other consumption are exempt from the
22 sales or use tax pursuant to Sections 6352, 6381, and 6396.

23 (3) Any person who has lost the cannabis or cannabis products
24 through fire, flood, theft, spillage, or accident, prior to any retail
25 sale.

26 (4) Any person who is unable to collect the prepayment from
27 the purchaser insofar as the sales of the cannabis and cannabis
28 products are represented by accounts which have been found to
29 be worthless and charged off for income tax purposes, or, if the
30 person is not required to file income tax returns, accounts which
31 have been charged off in accordance with generally accepted
32 accounting principles. If partial payments have been made, the
33 payments shall be prorated between amounts due for cannabis
34 and cannabis products and amounts due for the related
35 prepayment. If any of those accounts are thereafter in whole or in
36 part collected by the seller, the cannabis and cannabis products
37 represented by the amounts collected shall be included in the first
38 return filed after that collection and the amount of the prepayment
39 thereon paid with the return.

1 (b) *In lieu of a refund, the board may authorize a credit to be*
2 *taken by the person to whom the refund is due upon his or her*
3 *prepayment form or sales and use tax return.*

4 6480.56. (a) *The board may require any wholesaler subject*
5 *to this article to place with the board any security that the board*
6 *determines is necessary to ensure compliance with this article.*
7 *The amount of the security shall be fixed by the board but shall*
8 *not be greater than three times the estimated average liability of*
9 *wholesalers required to file returns for monthly periods,*
10 *determined in any manner that the board deems proper, or five*
11 *hundred thousand dollars (\$500,000), whichever amount is less.*
12 *These amounts apply regardless of the type of security placed with*
13 *the board. The amount of the security may be increased or*
14 *decreased by the board subject to the maximum amounts.*

15 (b) *The board may sell the security at public auction if it*
16 *becomes necessary to so do in order to recover any tax or any*
17 *amount required to be collected or penalty due. Notice of the sale*
18 *may be served upon the person who placed the security personally*
19 *or by mail. If service is by mail, service shall be made in the*
20 *manner prescribed for service of a notice of a deficiency*
21 *determination and shall be addressed to the person at his or her*
22 *address as it appears in the records of the board. However, security*
23 *in the form of a bearer bond issued by the United States or the*
24 *State of California which has a prevailing market price may be*
25 *sold by the board at a private sale at a price not lower than the*
26 *prevailing market price thereof. Upon any sale, any surplus above*
27 *the amounts due shall be returned to the wholesaler or wholesaler*
28 *who placed the security.*

29 SEC. 4. *Section 6592 of the Revenue and Taxation Code is*
30 *amended to read:*

31 6592. (a) *If the board finds that a person's failure to make a*
32 *timely return or payment is due to reasonable cause and*
33 *circumstances beyond the person's control, and occurred*
34 *notwithstanding the exercise of ordinary care and the absence of*
35 *willful neglect, the person shall be relieved of the penalties*
36 *provided by Sections 6476, 6477, 6479.3, 6480.4, 6480.8, 6480.54,*
37 *6511, 6565, 6591, 7051.2, 7073, and 7074.*

38 (b) *Except as provided in subdivision (c) any person seeking to*
39 *be relieved of the penalty shall file with the board a statement*

1 under penalty of perjury setting forth the facts upon which he or
2 she bases his or her claim for relief.

3 (c) The board shall establish criteria that provides for efficient
4 resolution of requests for relief pursuant to this section.

5 *SEC. 5. Section 6901 of the Revenue and Taxation Code is*
6 *amended to read:*

7 6901. If the board determines that any amount, penalty, or
8 interest has been paid more than once or has been erroneously or
9 illegally collected or computed, the board shall set forth that fact
10 in the records of the board and shall certify the amount collected
11 in excess of the amount legally due and the person from whom it
12 was collected or by whom paid. The excess amount collected or
13 paid shall be credited by the board on any amounts then due and
14 payable from the person from whom the excess amount was
15 collected or by whom it was paid under this part, and the balance
16 shall be refunded to the person, or his or her successors,
17 administrators, or executors, if a determination by the board is
18 made in any of the following cases:

19 (a) Any amount of tax, interest, or penalty was not required to
20 be paid.

21 (b) Any amount of prepayment of sales tax, interest, or penalty
22 paid pursuant to Article 1.5 (commencing with Section 6480), *or*
23 *Article 1.7 (commencing with Section 6480.50)*, of Chapter 5 was
24 not required to be paid.

25 (c) Any amount that is approved as a settlement pursuant to
26 Section 7093.5.

27 Any overpayment of the use tax by a purchaser to a retailer who
28 is required to collect the tax and who gives the purchaser a receipt
29 therefor pursuant to Article 1 (commencing with Section 6201) of
30 Chapter 3 shall be credited or refunded by the state to the purchaser.
31 Any proposed determination by the board pursuant to this section
32 with respect to an amount in excess of fifty thousand dollars
33 (\$50,000) shall be available as a public record for at least 10 days
34 prior to the effective date of that determination.

35 *SEC. 6. No reimbursement is required by this act pursuant to*
36 *Section 6 of Article XIII B of the California Constitution because*
37 *the only costs that may be incurred by a local agency or school*
38 *district will be incurred because this act creates a new crime or*
39 *infraction, eliminates a crime or infraction, or changes the penalty*
40 *for a crime or infraction, within the meaning of Section 17556 of*

1 *the Government Code, or changes the definition of a crime within*
2 *the meaning of Section 6 of Article XIII B of the California*
3 *Constitution.*

4 SECTION 1. Section 11082 is added to the Government Code,
5 to read:

6 ~~11082. Notwithstanding any other law, the state shall not~~
7 ~~expend any state funds for the purpose of filming or producing~~
8 ~~commercials or other filmed materials, for commercial use, outside~~
9 ~~of the state.~~

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