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New Cannabis Tax Structure Restores Funding for Youth and Environmental Priorities

SACRAMENTO – The California Department of Tax and Fee Administration announced [last night](#) that the Cannabis Excise Tax will be adjusted from the current 15% to 19% in accordance with the “[AB 195 Compromise](#)” that resulted in the elimination of the voter-enacted Cannabis Cultivation Tax. The Excise Tax adjustment is part of the AB 195 compromise and will take effect on July 1st to help replace hundreds of millions of dollars in revenues that were lost when the Legislature repealed the voter-created Cannabis Cultivation Tax in 2022.

“This is a simple choice between protecting our kids and the environment or increasing cannabis industry profits. Thousands of children lost childcare opportunities when the Legislature abolished the Cultivation Tax in 2022. The Excise Tax adjustment repairs some of the damage to our kids by restoring funding for childcare positions and youth substance use prevention,” **said Jim Keddy, Executive Director of Youth Forward.**

“When voters legalized cannabis in California, they were promised the taxes would raise hundreds of millions of dollars each year for youth substance use prevention, the environment and enforcement of California’s cannabis laws. Those youth programs have been enormously successful. The 2022 repeal of the Cannabis Cultivation Tax was conditioned on the Excise Tax being adjusted to replace the lost revenues. Keeping this promise is essential to protect our children,” **commented Dr. Lynn Silver, M.D., with Getting it Right from the Start at the Public Health Institute.**

“Poor cannabis cultivation activities can leave our lands and waters contaminated with toxic chemicals and destroy valuable fish and wildlife habitat. The Excise Tax adjustment protects our water quality and our lands by restoring funding for environmental remediation and improvement projects,” **commented Tom Wheeler, Executive Director of the Environmental Protection Information Center.**

When voters approved the Proposition 64 Adult Use of Marijuana Initiative in 1996, they established both an Excise Tax and a Cultivation Tax to fund a variety of public initiatives that protect children, cleanup the environment, and help enforce the state’s cannabis laws. At the request of the cannabis industry, the Legislature repealed the Cultivation Tax with AB 195 (2022) resulting in over \$600 million dollars in lost revenues so far for programs that benefit children, environment, and law enforcement. Youth and environmental groups didn’t oppose AB 195 because the legislature and Governor pledged to replace that revenue through the adjustment in the Excise Tax this July 1st.

The Legislature is considering two cannabis industry driven bills that would repeal the Excise Tax adjustment decreasing revenues for the youth, environment, and law enforcement programs. [AB 564 \(Haney\)](#) would prevent the tax adjustment from occurring this July 1st, while [AB 8 \(Aguiar Curry\)](#) would repeal the tax adjustment on January 1, 2028. Both will harm children, youth and the environment.

Recent studies by the California Department of Cannabis Control concluded that the cannabis industry continues to grow. The Department’s [California Cannabis Market 2024 Report](#) indicated that cannabis production has increased by 70% since 2020 and the number of units of cannabis products sold increased by more than 5% in 2024.