



## Senator Scott Wiener, 11<sup>th</sup> Senate District

### Compassionate Care Cannabis Programs

#### SUMMARY

This bill would exempt compassionate care programs from paying the excise and cultivation taxes on the cannabis they give away to compassionate use patients, allowing them to resume providing this service without the prohibitive cost.

#### BACKGROUND/EXISTING LAW

In 1996, California passed Proposition 215, which allowed individuals with certain chronic medical conditions to procure medical cannabis. Following the enactment of Proposition 215, not-for-profit compassionate care programs emerged to meet the needs of financially disadvantaged individuals with medical cannabis prescriptions or needs. These patients are individuals who have been prescribed medical cannabis for illnesses, such as cancer, HIV/AIDS, glaucoma, and other life-threatening conditions. Compassionate care programs provide these patients, free of charge, with the medical cannabis they need to manage their symptoms. Numerous compassionate care programs operated within this regulatory framework for nearly 20 years.

With the enactment of Proposition 64, new taxes were put in place for all recreational and medical cannabis. One of these is a cultivation tax, which taxes all harvested marijuana that enters the commercial market. While compassionate care programs do not operate in the commercial market, since no cannabis is bought or sold, ambiguous drafting does explicitly exclude them from this cultivation tax. Due to this, compassionate care programs have been forced to pay an exorbitant amount of taxes on medical cannabis that they do not buy or sell.

#### PROBLEM

Proposition 64 adversely impacted compassionate care programs since authors did not consider these unique operations when writing new cannabis tax code. Currently, these donation-based programs are no longer able to operate because they cannot afford to pay the cultivation tax and 15-percent state excise tax on cannabis that they are giving away to patients. These taxes are in addition to any local sales tax a region may impose. Unfortunately, these new medical cannabis taxes are not absorbable by these charitable-based compassionate care programs. In fact, these tax rates have crippled compassionate care programs to the point where most have closed<sup>1</sup>.

Unfortunately, the individuals who relied on these donation-based programs have lost access to their medicine. The patients who rely on these compassionate care programs often incur exorbitant amounts of medical expenses, leaving them unable to afford the medicinal cannabis that they need to manage their symptoms. These programs are essential to the well-being, mental health, and overall quality of life for chronically-ill patients during an extremely stressful and uncertain time in their life.

#### SOLUTION

This bill exempts qualifying compassionate care programs from the cultivation and excise tax enacted by Proposition 64. After a compassionate care program is certified by the Bureau of Cannabis Control, they will receive a new non-commercial license that will allow cultivators to donate their cannabis without paying the cultivation tax. Exempting cultivators from charging the cultivation tax on donated cannabis to qualified compassionate care programs will allow these not-for-profit groups to resume the donations of medicinal cannabis that vulnerable patients rely on to manage their debilitating symptoms.

<sup>1</sup> "California's New Cannabis Laws Squeeze out Compassionate Care Programs." Forbes. January 29, 2018.

**FOR MORE INFORMATION**

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**SUPPORT**

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- Drug Policy Alliance