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Office of the City Manager

INFORMATION CALENDAR
November 17, 2026

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager

Submitted by: Henry Oyekanmi, Director, Finance Department

Subject: Expiration of Temporary Cannabis Business Tax Exemption

INTRODUCTION

On June 27, 2023, the City Council adopted Ordinance No. 7,880-N.S., which temporarily exempted cannabis related businesses from business license taxes at their ordinary rates and instead imposed the rates applicable to non-cannabis related businesses. The exemption period lasted until July 1, 2025, at which time those businesses were again subject to the original rates established for cannabis-related businesses.

When the exemption was passed, the Council made a referral to the now defunct Cannabis Commission to re-examine the Cannabis tax rate structure and make a recommendation to the Council. Since no Commission re-evaluation took place, the Finance Department researched the rates of other nearby cities and found that the City's pre-exemption rates would be competitive if reinstated. The City will now send a courtesy notice to existing businesses notifying them that the exemption has expired, and rates have reverted to their pre-exemption level per Ordinance No. 7,880-N.S. The City will begin to collect business license taxes for Cannabis-related businesses at the rates established in BMC 9.04.240 effective January 1, 2027.

CURRENT SITUATION AND ITS EFFECTS

In 2023, with the passage of Ordinance 7,880-N.S., a temporary exemption was granted to cannabis businesses, and they were only required to pay the standard business license tax rates (e.g., retail tax rate for cannabis retail businesses).

Concurrent with the adoption of Ordinance 7,880-N.S., the City Council made a referral to City Staff to analyze and develop an ordinance to adjust rates if warranted.

An evaluation of surrounding cities found that most cities that allowed cannabis businesses to operate charged a tax rate between 3% and 7% for retail sales, although

Oakland uses a tiered rate structure with rates ranging from 0.12% on the smallest businesses up to 5% for larger businesses. Dublin, Fremont, Livermore, Newark, Piedmont and Pleasanton prohibit commercial cannabis sales, thereby generating no tax revenue. The table below shows existing assessed cannabis tax rates for cities in Alameda County plus two nearby cities in Contra Costa County that permit cannabis sales.

City	Currently Assessed Rate	Authorized Maximum Rate
Alameda	0%	0%
Albany	2.5% + $25/sq ft[(a)]	2.5%
Emeryville	3%	6%
Oakland	5%[(b)]	5%
Hayward	7%	15%
Richmond	5%	5%
San Pablo	5%	7%
San Leandro	5%	10%
Union City	4%	6%
Average Rate	**4.1%**	**6.3%**
Berkeley Exemption Rate	**0.12%**	**0.12%**
Berkeley Standard Rate[(c)]	**5.0% (AU) / 2.5% (M)**	**5.0% (AU) / 2.5% (M)**

[(a)]Albany uses a hybrid structure that assesses based on gross receipts and building square footage

[(b)]Oakland uses a tiered/threshold rate structure up to 5%

[(c)]No other cities have reduced rates for medicinal use cannabis businesses. AU represents Adult Use and M represents Medicinal

Prior to the 2023 exemption, medical cannabis businesses paid $25 per $1,000 (2.5%) of gross receipts and adult use cannabis businesses paid $50 per $1,000 (5.0%) of gross receipts, which resulted in up to $1.8M in annual revenue. With the expiration of the

exemption, the City projects annual revenues to be approximately $1.2M annually, up from the $25,251 collected in FY 2026.

BACKGROUND

In 2018, the State established the Medical and Adult Use Cannabis Regulation and Safety Act (MAUCRSA), a regulatory framework for the medicinal and adult use cannabis industry. Among other things, this law allowed local jurisdictions to set business license requirements for cannabis businesses. Berkeley ultimately set business license tax rates of $25 per $1,000 of gross receipts for medical cannabis businesses and $50 per $1,000 of gross receipts for adult use cannabis businesses (the current rates seen in BMC 9.04.240). In 2023, City Council passed a temporary tax exemption for all cannabis businesses, reducing their tax rate to the standard business tax rate (e.g., retail cannabis businesses pay the same tax rate as all other retail businesses). This temporary tax exemption expired in June 2025, by which point the City's Cannabis Commission was to have re-evaluated the rates going forward. Since no Commission re-evaluation took place, Finance reviewed rates being assessed in surrounding municipalities and determined that the existing rate collected before the exemption was appropriate.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

No effects found.

POSSIBLE FUTURE ACTION

The City Council could choose to change the applicable business tax rates to a rate that differs from surrounding municipalities.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Lower rates would deprive the City of revenues that are comparable to nearby cities.

CONTACT PERSON

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