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L.A. City Council President Wants To Create A Municipal Bank For The Pot Industry.

Los Angeles City Councilmember Herb Wesson has proposed setting up a municipal bank to enable the recently legalized state cannabis industry to open accounts and secure loans.

“We cannot bury our heads in the sand on the issue of recreational and medical cannabis legalization, instead we must strive to reasonably regulate the emerging industry while creating opportunities for Angelenos,” Wesson said in the speech on Tuesday to the City Council, following his unanimous re-election as Council President.

When Californians passed Proposition 64 in November, it paved the way for legal recreational use of marijuana throughout the state (beginning in 2018). However, the legal complexities surrounding the sale profits still remain.

“It left significant questions unresolved,” John Chiang, Treasurer of California, told the Los Angeles Times. “How do you handle the taxation of cannabis dollars and the banking of billions of dollars of transactions that are going to take place here in California?”

The Times adds that the state’s cannabis industry saw \$3.3 billion in sales for 2016, and that number is expected to hit \$7.5 billion in 2018. Yet, large financial institutions refuse to take the industry’s money for fear of legal entanglement with federal regulations that still criminalize marijuana and list it alongside drugs like heroin and cocaine.

In his proposal to establish a municipal bank that would do business with the marijuana industry, Wesson noted that, currently, “[cannabis business owners] are going to go home tonight and sleep on a mattress that’s worth \$2 million,” while others “have a million and a half dollars in cash buried in the backyard.” Wesson continued, “[w]e have to figure out a way to make this industry work.”

What further complicates the situation is that, though the city of Los Angeles accepts business tax payments in cash, the State Board of Equalization does not, reports the Los Angeles Daily News.

“We get lots of cash, and sometimes it has been washed — actually washed — because it had been buried out in the backyard,” said John Bartholomew, treasurer-tax collector for Humboldt County in Northern California, according to the Times.

“Right now, at the downtown [Los Angeles] office of finance, there’s a six-story parking structure 500 yards away. I have to walk through what is essentially a homeless encampment with a duffel bag full of cash, walk across the street, go through security and then sometimes stand in line,” said Jerred Kiloh, a dispensary owner in the Valley, while speaking on the complexities paying business taxes to the city. “No one comes in with the type of cash they come in with,” Todd Bouey, Los Angeles’ assistant director of finance, said of the marijuana industry. “It was taking hours to get through one deposit.”

According to the Daily News, Councilman Herb Wesson is expected to introduce a formal motion for

his municipal bank proposal to the City Council's Budget and Finance Committee.

"[D]eposits could be used for public benefits including gap funding for affordable housing projects, but the Council President is awaiting further study from various city departments on the topic," Vanessa Rodriguez, communications director for Councilman Wesson, told LAist.

"Should the Bank of Los Angeles proposal move forward, the Council President is committed to ensuring the city meets all banking guidelines set forth by both the Department of Justice and Department of Treasury."

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