



STATE OF CALIFORNIA
Franchise Tax Board

High-Road Cannabis Tax Credit Report

Economic and Statistical Research Bureau

Purpose

This report is intended to fulfill the Franchise Tax Board's obligation under Assembly Bill 195 (Chapter 56, Statutes of 2022) which added Revenue and Taxation Code (RTC) sections 17053.64 and 23664 and included language that the Franchise Tax Board (FTB) shall annually report to the Legislature by March 1, the number and total dollar amount of credits claimed under these sections for each taxable year in which the credits are allowed.

Prepared by the Staff of the
Franchise Tax Board
STATE OF CALIFORNIA

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Background

Chapter 56 of the Statutes of 2022 (AB 195) established the High-Road Cannabis Tax Credit (HRCTC) for qualified taxpayers. It allows a credit to a qualified taxpayer equal to 25 percent of the qualified taxpayer's qualified expenditures in the taxable year, not to exceed \$250,000. To be eligible for the credit, qualified taxpayers must make a tentative credit reservation, with the FTB. This credit is operative for taxable years beginning on or after January 1, 2023, and before January 1, 2028. The aggregate amount of credits available for reservation is \$20 million for all taxable years, cumulatively.

Franchise Tax Board Statutory Reporting Requirements

In accordance with RTC section 41, the FTB is required to publish an annual report on its internet website, while the credit is in effect, no later than March 1, and provide a printed copy to the Chief Clerk of the Assembly and the Secretary of the Senate, and an electronic or printed copy to the Legislative Counsel. The report is required to include the following:

- The number of credits claimed.
- The total dollar amount of credits claimed.

The legislatively stated goals of the credit are to "(1) provide relief for cannabis employers who are providing good jobs in a struggling industry", and "(2) assist cannabis employers and operators to stay in business or grow their business." The following report meets the FTB's requirement to report by March 1, 2026. The information presented in this report is from 2024 tax return data processed as of December 15, 2025.

Data

Taxpayers may claim the HRCTC using credit code 246 on returns filed under the Personal Income Tax and Corporation Tax Laws. The FTB also created the information reporting form, FTB 3820, to capture additional information related to the credit usage and carryover. Pass-through entities (PTEs), such as S corporations, estates, trusts, partnerships, and limited liability companies, taxed as partnerships, are expected to complete Form FTB 3820 and Schedule K-1 to report how much credit will be passed on to each shareholder, beneficiary, partner, or member and attach the form and the schedule to their main return. The data captured in this report reflects credit claimed on form FTB 3820 and/or the applicable credit code reported on the main return.

The High-Road Cannabis Tax Credit, though not specifically a one-time initiative, had all its funds reserved in July 2023. Many recipients have not yet claimed the credit due to factors like negative income, small tax liabilities, unfiled 2024 returns (potentially still pending or due to subsidiary status), and not filing a return. This reservation mechanism means that despite the funds not being fully utilized, other eligible companies cannot access the credit as the reserved amounts cannot be re-reserved.

State privacy rules require statistical tabulations prepared at the state level may not be released for cells containing data for fewer than ten returns. Based on available data processed as of December 15, 2025, the number of returns and the amount of credit allowed on the 2024 tax year returns cannot be disclosed due to state privacy rules.