



STATE OF CALIFORNIA
Franchise Tax Board

Cannabis Equity 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 17053.82 and 23682. Section 39 of AB 195 requires the Franchise Tax Board to report annually, starting in 2025 and while the credit is in effect, to the Legislature by March 1, the number and total dollar amount of credits claimed under Sections 17053.82 and 23682 for each taxable year in which the credits are allowed.

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

Members of the Board:
Malia M. Cohen, Chair
Ted Gaines, Member
Joe Stephenshaw, Member

Executive Officer: Selvi Stanislaus

Published March 2025

Background

Chapter 56 of the Statutes of 2022 (AB 195) established the Cannabis Equity Tax Credit (CETC) for qualified taxpayers. For taxable years beginning on or after January 1, 2023, and before January 1, 2028, it allows a credit to a qualified taxpayer in an amount of \$10,000. The qualified taxpayers are equity licensees that have received approval, including approval contingent upon the availability of funds, for the fee waiver and deferral program administered by the California Department of Cannabis Control (DCC). The DCC provides the Franchise Tax Board (FTB) with the list of qualified taxpayers for the purposes of administering this credit starting on January 1, 2024, and every six months thereafter.

Franchise Tax Board Statutory Reporting Requirements

In accordance with California Revenue and Taxation Code (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 individuals who are low income or who have directly or indirectly been negatively impacted by past cannabis policies”, and “(2) assist cannabis equity licensees to stay in business or grow their businesses.” The following report meets the FTB’s requirement to report by March 1, 2025. The information presented in this report is from 2023 tax return data, processed as of November 20, 2024.

Data

Taxpayers may claim the CETC by using credit code 247 on their returns filed under the Personal Income Tax and Corporation Franchise and Income Tax laws. The FTB also created the information reporting form, FTB 3821, to capture additional information related to the credit usage and carryover. When taxpayers file the FTB 3821, they voluntarily self-report information related to the credit. However, the form is not required to be filed to claim qualified credits nor is there a penalty for failing to file the form. Additionally, because many cannabis businesses are formed as partnerships, the business income and expenses flow-through to members or shareholders, and the business activities are reported by taxpayers on their personal income tax returns. These personal income taxpayers may not have the information requested on Form 3821 to report information that could generate complete data for this report.

Based on available data processed as of November 20, 2024, \$81,353 in CETC were claimed on 14 tax returns in tax year 2023.

Number of Returns in Tax Year 2023*	Total Credits Allowed
14	\$81,353

* – Some timely 2023 tax year returns may not have been processed at the time of this report.