



STATE OF CALIFORNIA  
**Franchise Tax Board**

# **Commercial Cannabis Activity: Personal Income Tax Law - Business Expenses Report**

Economic and Statistical Research Bureau

# Commercial Cannabis Activity: Personal Income Tax Law - Business Expenses Report

This report is intended to fulfill the Franchise Tax Board's obligation under Assembly Bill 37 (2019/2020) which added Revenue and Taxation Code Section 17209 and included language to annually report to the Legislature by July 31, the number and total dollar amount of deductions and credits claimed under this section for the most recent calendar year in which either the deductions or credits are allowed.

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

Members of the Board:  
Betty T. Yee, Chair  
Antonio Vazquez, Member  
Keely Bosler, Member

Executive Officer: Selvi Stanislaus

# Commercial Cannabis Activity: Personal Income Tax Law - Business Expenses

## Background

California allows individuals, including other taxpayers operating under the personal income tax law, to claim credits and deductions of business expenses paid or incurred during the taxable year in carrying on commercial cannabis activity. This provision is operative for taxable years beginning on or after January 1, 2020, and before January 1, 2025.

The intent of this law is to provide tax equity to the cannabis industry and allow commercial cannabis licensees, reporting under the Personal Income Tax Code, to claim deductions and credits available to other legal businesses in the state.

## Data Observations

Tax returns reporting credits and deductions claimed for the 2020 tax year under Revenue & Taxation Code section 17209 are filed in 2021. Information on the California Form 4197 was used to complete this reporting requirement. Based on available data processed as of June 2021, the number of returns and the amount of deductions and credits claimed on the 2020 tax year returns cannot be disclosed due to state privacy rules.

The FTB anticipates reporting the number and amounts of credits and deductions claimed for the full 2020 tax year returns filed in the 2021 calendar year in the next annual report due July 31, 2022.

Please visit FTB's website for income tax information on the [Cannabis Industry](#).