

# Los Angeles Cannabis Shops Rebel Over High Local Taxes

## Los Angeles Cannabis Retailers Stage Tax Revolt Amid Illicit Market Crisis

*Licensed operators refuse to pay city taxes until enforcement levels the playing field*

**LOS ANGELES** — Cannabis retailers in Los Angeles are staging what some are calling a “tax revolt”, refusing to pay millions in city taxes until local regulators and law enforcement crack down on the city’s rampant illicit cannabis market.

According to a recent Fox News report, Elliot Lewis, founder and CEO of Catalyst Cannabis, is among the retailers halting payments of local cannabis taxes, a defiant stance that reflects growing frustration among licensed operators struggling to survive.

### Licensed Cannabis Retailers Owe \$400 Million in Unpaid Taxes

Los Angeles currently charges cannabis businesses a local gross receipts tax of up to 10%, on top of California’s already hefty state-level excise and cultivation taxes.

More than 500 of the city’s 738 licensed marijuana businesses have outstanding tax bills totaling roughly \$400 million, according to *SFGate*. That includes Catalyst, which operates 33 dispensaries across the state.

“In the city of LA, we have stopped paying our taxes,” Lewis said. “Every time we open a store, another two or three unlicensed shops open nearby and take our customers. It’s like the Wild West — except you’ve got the government with a boot on your throat and a six-shooter in your mouth 24/7.”

### High Taxes and Weak Enforcement Push Legal Operators to the Brink

California remains the largest legal cannabis market in the U.S., but sales have fallen nearly \$1 billion since peaking in 2021, according to state data. The drop from \$5.7 billion in 2021 to \$4.88 billion in 2024 underscores a worsening economic outlook for legal operators.

A state-commissioned report earlier this year estimated that illegal cannabis production may exceed legal demand tenfold, leaving licensed businesses unable to compete with untaxed, unregulated sellers.

Lewis and other operators argue that without meaningful enforcement, paying local taxes feels like throwing money into a broken system.

### City’s Attempt to Raise Fees Adds Fuel to the Fire

In August, Los Angeles's Department of Cannabis Regulation (DCR) moved to raise permit and licensing fees, further straining businesses already burdened by high compliance costs.

The decision was met with backlash from operators who said the move sent the wrong message at the wrong time particularly as unlicensed sellers continue to operate openly throughout the city.

Then, in October, the city appeared to soften its stance. Treasurer Diana Mangioglu issued a letter offering to waive penalties for licensed marijuana businesses that agreed to enter repayment plans for overdue taxes.

“Due to widespread non-compliance with tax and permit regulations feeding a thriving black market, combined with a tax burden that vastly exceeds the rates paid by other industries, legally permitted cannabis businesses face a daunting task,” Mangioglu wrote.

## **City May Recover Only a Fraction of Lost Revenue**

Even with penalty forgiveness, Mangioglu warned that the city is unlikely to recover more than **\$30 million** in back taxes. Many operators have already gone out of business or have bills too old to collect.

The limited recovery illustrates the growing instability of LA's cannabis tax base — and signals the deeper challenges of sustaining a regulated market in a city where illicit competition dominates.

Lewis said the tax revolt isn't about rebellion for rebellion's sake, but about survival. “We've played by the rules, paid the fees, and followed every regulation. But if the government won't enforce the law against illegal shops, why should we fund a system that's killing us?”

## **Pressure Mounts for Reform in California's Cannabis Economy**

California's cannabis sector has faced **mounting calls for reform**, as operators, economists, and advocates warn that over-taxation and under-enforcement are eroding the legal market's viability.

Industry groups such as [the California Cannabis Industry Association \(CCIA\)](#) have urged local governments to lower tax rates and prioritize enforcement against illegal sellers.

Meanwhile, some state legislators are exploring broader solutions — from statewide tax restructuring to streamlined licensing to restore competitiveness to the legal market.

But for now, LA's standoff underscores a deeper structural problem: a legal system too expensive to comply with and too weak to enforce.

## **“A Fair Fight, Not a Free Ride”**

Lewis said the tax protest will continue until city officials show concrete progress against unlicensed operators.

“This isn't about avoiding taxes,” he said. “It's about demanding a fair fight. If they want us to pay, they have to do their part and shut down the illegal stores that are robbing the industry blind.”

With more than half of Los Angeles's cannabis retailers now delinquent on their local taxes, the conflict is shaping up to be one of the most consequential tests yet for California's embattled cannabis experiment and one that could redefine how cities across the state approach regulation, enforcement, and fairness in the years ahead.

