

**Final Statement of Reasons for the Proposed Adoption of
California Code of Regulations, Title 18, Division 2, Chapter 8.8,
Cannabis Excise Tax Effective on and after January 1, 2023, New Sections 3800,
Application of Chapter and Definitions, and 3820, Responsible Person Liability,
Current Sections 3703, Excess Cannabis Tax, and 3805, Cannabis Excise Tax
Credit, and Amendments to Sections 3501, Records, 3700, Cannabis
Excise and Cultivation Taxes, 3800, Cannabis Excise Tax and Cannabis
Retailer Excise Tax Permit, and 3810, Vendor Compensation**

UPDATE OF INFORMATION IN THE INITIAL STATEMENT OF REASONS

The California Department of Tax and Fee Administration (Department) adopted the proposed amendments to California Code of Regulations (CCR), title 18, section (Regulation) 3501, Records, the emergency amendments adding subdivisions (h)(6) and (i)(3) to Regulation 3700, Cannabis Excise and Cultivation Taxes, and emergency Regulation 3703, Excess Cannabis Tax, without making any changes. The Department adopted CCR, title 18, chapter 8.8, Cannabis Excise Tax Effective on and after January 1, 2023 (chapter 8.8), without making any changes. The Department adopted new Regulation 3800, Application of Chapter and Definitions, and emergency Regulation 3800, Cannabis Excise Tax and Cannabis Retailer Excise Tax Permit, with the proposed amendments to emergency Regulation 3800, including the amendments renumbering emergency Regulation 3800 as Regulation 3801, without making any changes. The Department also adopted emergency Regulation 3805, Cannabis Excise Tax Credit, emergency Regulation 3810, Vendor Compensation, with the proposed amendments to emergency Regulation 3810, and new Regulation 3820, Responsible Person Liability, without making any changes. New Regulation 3800, amended renumbered emergency Regulation 3801, emergency Regulation 3805, amended emergency Regulation 3810, and new Regulation 3820 are all included in chapter 8.8.

The Department did not receive any written comments regarding the proposed regulatory action or written requests for a public hearing to comment on the proposed regulatory action.

The factual basis, specific purposes, and necessity for, the problems to be addressed by, and the anticipated benefits from the adoption of the proposed regulatory action are the same as provided in the initial statement of reasons.

The Department did not rely on any data or any technical, theoretical, or empirical study, report, or similar document in proposing or adopting the proposed regulatory action that was not identified in the initial statement of reasons, or which was otherwise not identified or made available for public review prior to the close of the public comment period.

In addition, the factual basis has not changed for the Department's initial determination that the proposed regulatory action will not have a significant adverse economic impact on business, the Department's determination that the proposed regulatory action is not a major regulation, as defined in Government Code (GC) section 11342.548 and CCR, title 1, section 2000, and the Department's economic impact assessment, which determined that the proposed regulatory action:

- Will neither create nor eliminate jobs in the State of California nor result in the creation of new businesses or the elimination of existing businesses within the State of California;
- Will not affect the expansion of businesses currently doing business within the State of California; and
- Will not affect the benefits of Regulation 3501, the emergency amendments adding subdivisions (h)(6) and (i)(3) to Regulation 3700, emergency Regulation 3703, chapter 8.8, new Regulation 3800, amended renumbered emergency Regulation 3801, emergency Regulation 3805, amended emergency Regulation 3810, and new Regulation 3820 to the health and welfare of California residents, worker safety, or the state's environment.

No Mandate Imposed on Local Agencies or School Districts

The Department has determined that the adoption of the amendments to Regulation 3501, the emergency amendments adding subdivisions (h)(6) and (i)(3) to Regulation 3700, emergency Regulation 3703, chapter 8.8, new Regulation 3800, amended renumbered emergency Regulation 3801, emergency Regulation 3805, amended emergency Regulation 3810, and new Regulation 3820 will not impose a mandate on local agencies or school districts, including a mandate that requires state reimbursement under part 7 (commencing with section 17500) of division 4 of title 2 of the GC.

Determination Regarding Alternatives

The Department determined that no alternative to the amendments to Regulation 3501, the emergency amendments adding subdivisions (h)(6) and (i)(3) to Regulation 3700, emergency Regulation 3703, chapter 8.8, new Regulation 3800, amended renumbered emergency Regulation 3801, emergency Regulation 3805, amended emergency Regulation 3810, and new Regulation 3820 would be more effective in carrying out the purpose for which they are proposed, would be as effective and less burdensome to affected private persons than the adopted regulations, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provisions of law.

The Department did not reject any reasonable alternative to Regulation 3501, the emergency amendments adding subdivisions (h)(6) and (i)(3) to Regulation 3700, emergency Regulation 3703, chapter 8.8, new Regulation 3800, amended renumbered emergency Regulation 3801, emergency Regulation 3805, amended emergency Regulation 3810, and new Regulation 3820 that would lessen any adverse impact the proposed regulatory action may have on small business.

No reasonable alternative has been identified and brought to the Department's attention that would lessen any adverse impact the proposed action may have on small business, be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law than the proposed action.