



OFFICE OF THE GOVERNOR

SEP 19 2018

To the Members of the California State Assembly:

I am returning Assembly Bill 1863 without my signature.

This bill would allow licensed commercial cannabis businesses to deduct their business expenses under the state's personal income tax law, effective beginning tax year 2018.

The bill seeks to apply equal state tax treatment to licensed cannabis businesses in this state, regardless of whether they organize under the personal income tax or corporate income tax law. Given the cost to the General Fund, this proposal is best evaluated as part of the budget process.

Sincerely,



Edmund G. Brown Jr.