SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
2025 - 2026 Regular

Bill No:	AB 2250	**Hearing Date:**	6/24/26
Author:	Aguiar-Curry	**Tax Levy:**	No
Version:	3/11/26 >	**Fiscal:**	Yes
Consultant:	Grinnell		

CANNABIS: CANNABINOIDS

Makes necessary technical and conforming changes to provisions of state law arising from enactment of AB 8 (Aguiar Curry, 2025).

Background

Federal law relating to cannabis. Federal law prohibits the manufacture, possession, sale, or distribution of cannabis. In 1970, Congress enacted the Controlled Substances Act (CSA), which sets forth five schedules of specified drugs. For a drug to be designated a Schedule I controlled substance, CSA states the substance must have "a high potential for abuse," and have "no currently accepted medical use" in the United States. Federal law lists cannabis as a Schedule I controlled substance, although a recent executive order from the President directs the U.S. Department of Justice to "take all necessary steps to complete the rulemaking process related to rescheduling marijuana to Schedule III of the CSA in the most expeditious manner in accordance with Federal law."

Cannabis licensing. In 1996, California voters approved Proposition 215, known as the Compassionate Use Act of 1996 (CUA). Under CUA, qualified patients with specified illnesses, and their primary caregivers, cannot be prosecuted for possessing or cultivating medical cannabis upon the written or oral recommendation or approval of an attending physician.

The medical cannabis industry remained largely unregulated at the state level until 2015, when the Legislature enacted the Medical Marijuana Regulation and Safety Act (MMRSA). MMRSA comprised a package of legislation that comprehensively regulated many aspects of the medicinal use of cannabis, including cultivation, manufacturing, transportation, distribution, sale, and product safety. In 2016, several bills made slight changes to MMRSA, including renaming MMRSA the Medical Cannabis Regulation and Safety Act.

On November 8, 2016, California voters approved Proposition 64 (Prop. 64), the Control, Regulate and Tax Adult Use of Marijuana Act, which legalized commercial adult-use cannabis for adults age 21 and older. The Act allows for the licensure and regulation of both commercial adult-use and medicinal use cannabis activities by various state agencies.

Less than a year later, in June 2017, the Legislature enacted SB 94 (Committee on Budget & Fiscal Review), which integrated MMRSA with the Act to create the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA). Among other things, MAUCRSA consolidated the licensure and regulation of both commercial adult-use and medicinal use cannabis activities. It established a system of over 20 license categories, which include

distributor, retailer, and microbusiness, among others. The Department of Cannabis Control (DCC) administers the licensing system. Commercial cannabis activity may only be conducted between licensees, and only licensed cannabis retail businesses can make cannabis sales to consumers. Until last year, MAUCRSA excluded industrial hemp, so it could not be integrated into the cannabis supply chain.

Cannabis taxes. Prop. 64 contained two specific taxes on cannabis: the excise tax and the cultivation tax. A customer who purchases cannabis or cannabis products in the state is subject to the cannabis excise tax, which is equal to 15% of the gross receipts of any cannabis or cannabis products retail sale. The cultivator, who grows the cannabis, is subject to the cultivation tax, which applied to all harvested cannabis prior to its suspension.

The California Department of Tax and Fee Administration (CDTFA) administers both taxes. Prop. 64 directed tax revenues into a special fund, referred to as the California Cannabis Tax Fund, and allocates them in a specific order. In 2022, the Legislature comprehensively reformed cannabis taxation, including suspending the cultivation tax and shifting the point of collection of the excise tax from cannabis distributors to retailers (AB 195, Committee on Budget, 2022).

Cigarette & Tobacco Products Licensing Act. In 2003, the Cigarette and Tobacco Products Licensing Act (AB 71, Horton, 2003) required the Board of Equalization (BOE) to license manufacturers, distributors, wholesalers, importers, and retailers of cigarette or tobacco products who are engaged in business in California. In 2017, the Legislature enacted AB 102 (Committee on Budget), which transferred duties, powers, and responsibilities related to the administration of taxes and fees from BOE to CDTFA. CDTFA also administers the Cigarette and Tobacco Products Tax.

Under the Licensing Act, retailers, distributors, manufacturers, wholesalers, and importers must have and maintain a license to sell cigarettes or tobacco products to purchasers. Licenses are valid for one year and must be renewed annually. Approximately 29,000 cigarette and tobacco product retail locations are licensed to sell cigarettes and tobacco products in California. CDTFA annually conducts about 3,318 inspections of licensed cigarette and tobacco product retailers to ensure compliance with the Licensing Act and applicable tax laws. When CDTFA discovers that a retailer, or any of its agents or employees, sells or offers to sell unstamped cigarette packages, it can seize the packages. Similar authority exists for CDTFA to seize cannabis products under specified circumstances.

Hemp product regulation. The U.S. Agriculture Improvement Act of 2018 (known as the Farm Bill) federally legalized the growing, cultivating, and transporting of industrial hemp between states by amending the definition of marijuana to exclude hemp, as defined in the act, and thus allowing for hemp cultivation in the United States. In the legislation, Congress preserved the authority of the Food and Drug Administration (FDA) to regulate hemp-derived products. However, the Farm Bill's definition of hemp excluded products containing less than 0.3% Delta-9 tetrahydrocannabinols (THC) products, so products with less than 0.3%, which could contain significant amounts of other psychoactive compounds, would be considered legal hemp.

These products soon proliferated, marketed as hemp that contains other cannabinoids, such as delta-8 THC, and sold as gummies, drinks, and candies, with some packaged in containers similar to existing snack food brands. Some of these products contain cannabinoids other than delta-9 THC at concentrations that can make the products intoxicating. In February 2025, a white paper titled *The Great Hemp Hoax* discussed findings that out of more than 100

intoxicating hemp products from 68 brands available to California consumers through online purchases, 95% contained synthetic cannabinoids prohibited under California law.[1] Additionally, over 88% of tested products exceed the maximum amount of THC allowed to be classified as hemp products in California. The white paper found that on average, vape products supposedly derived from hemp had THC equivalency levels 268% above the state's threshold for adult-use cannabis.

AB 45. In 2021, the Legislature enacted AB 45 (Aguiar-Curry, 2021) to significantly expand and clarify the framework under which CBD derived from industrial hemp can be used in food, beverages, and dietary supplements. The bill revised or added various definitions relating to hemp products and placed new requirements on hemp manufacturers in exchange for more explicit authority to produce manufactured goods containing CBD derived from hemp. In doing so, the bill expressly specified that foods, beverages, dietary supplements, cosmetics, and pet food are not adulterated by the inclusion of industrial hemp cannabinoids. Under AB 45, hemp *cultivation* is primarily regulated by the California Department of Food and Agriculture, and hemp *manufacturing* is regulated under the Sherman Food, Drug, and Cosmetic Law by the California Department of Public Health (CDPH).

Integration of cannabis and hemp. AB 45 included language requiring the DCC to prepare a report to the Governor and the Legislature outlining the steps necessary to allow for the incorporation of hemp cannabinoids into the commercial cannabis supply chain, along with a discussion of allowing the use of hemp cannabinoids in manufactured cannabis products and the sale of hemp products by cannabis retailers. In January 2023, the DCC published *The Hemp Report: Steps and Considerations for Incorporating Hemp Into the Commercial Cannabis Supply Chain*.[2] The report submitted by the DCC stated that "incorporating hemp into the regulated commercial cannabis supply chain presents both policy and implementation challenges. From the policy perspective, several determinations would need to be made to move forward with the inclusion of hemp."

AB 8. Last year, the Legislature enacted a legal framework for the integration of cannabinoids derived from hemp to be integrated into the cannabis supply chain beginning January 1, 2028 (AB 8, Aguiar-Curry). AB 8 allows hemp plant material to enter the cannabis supply chain and be used in manufacturing of cannabis or hemp products and sold by cannabis retailers or transported out of state. Under the framework established in AB 8, any product containing a concentrated cannabinoid derived from hemp, with the exception of pure CBD isolate, would fall under the definition of a cannabis product. Under that reclassification, cannabis products derived from industrial hemp are eligible for integration into the cannabis supply chain.

AB 8 amended the Cigarette and Tobacco Products Licensing Act to prohibit those engaged in selling tobacco products from possessing, storing, owning, or selling cannabis, cannabis products, or products that contain or purport to contain a comparable cannabinoid that is not regulated under the Sherman Law for food, beverage, and cosmetic products containing industrial hemp. The measure defined "cannabis" and "cannabis products" by reference to the Cannabis Tax Law, which in turn said that they have the same meaning as defined by the California Uniform Controlled Substance Act (CUCSA).

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[1] https://82c52c1d-5714-4985-a563-676a79dcf952.usrfiles.com/ugd/82c52c_3aa2353d143c47d08092240702b48656.pdf

[2] https://cannabis.ca.gov/wp-content/uploads/sites/2/2024/02/dcc_hemp_report_2023.pdf

AB 8 also expanded CDTFA's seizure authority under the Licensing Act and CTL to include presumed cannabis products. To do so, the bill established three rebuttable presumptions that certain products are cannabis products – identical presumptions in the Licensing Act and the CTL, and a third, slightly different presumption within the "cannabis products" definition in the CUCSA. However, the "cannabis products" definition in the CUCSA does not provide how this rebuttable presumption is to be administered or by which agency, nor which presumption should prevail.

AB 8 amended several key and complex statutes, including the Sherman Food, Drug, and Cosmetic Law, the California Uniform Controlled Substances Act, MAUCRSA, the Cigarette and Tobacco Products Licensing Act, and the Cannabis Tax Law. Those statutes have several intertwined provisions and definitions. The author identified some necessary changes to ensure that AB 8 can be effectively implemented.

Proposed Law

Assembly Bill 2250 makes technical and conforming changes to provisions of state law arising from AB 8's enactment. Specifically, the bill:

- Amends the Licensing Act to replace references to the Cannabis Tax Law when defining "cannabis" and "cannabis product" instead directly referencing those provisions in the California Uniform Controlled Substance Law.
- Amends the Licensing Act to delete "retail," therefore ensuring that the restriction on tobacco retailers selling cannabis applies to any sale, not just a retail sale, of cannabis, cannabis products, or a product presumed to be cannabis.
- Limits the reference in the Licensing Act to CUCSA to remove any conflict regarding presumed cannabis products.
- Updates the definition of "cannabis concentrate" in the California Uniform Controlled Substance Law to include CBN isolate, by reference to its definition in the Business and Professions Code. As a result, CBN isolate will similarly not be subject to tax, consistent with CBD isolate.
- Clarifies CDTFA's authority to seize cannabis products that are not contained in secure packaging or reported in track and trace.
- Removes the definition of "CBD isolate" and "synthetic cannabinoid" from the Cannabis Tax Law.
- Makes other technical and conforming changes.

State Revenue Impact

According to CDTFA, "CDTFA estimates a loss of $1.73 million to $2.0 million in cannabis excise tax revenue and $0.15 million to $0.17 million in sales and use tax revenue for calendar year 2028 due to the exclusion of CBN isolate from the definition of cannabis concentrate."

Comments

1. Purpose of the bill. According to the author, "Last year, I authored AB 8 (Aguiar-Curry, Chapter 248, Statutes of 2025) to protect public health and licensed businesses by strengthening enforcement against illegal hemp products, ensuring that all intoxicating cannabinoids are regulated and taxed as cannabis, and creating a pathway for responsible hemp and cannabis

operators to participate in the federal and state legal markets. AB 2250 is a technical clean-up bill that will make sure that AB 8 can be implemented effectively. These changes are needed to ensure that state agencies have the tools they need to provide oversight and enforcement for California's cannabis marketplace."

2. Timing is everything. The Legislature enacted AB 8 last year, after several years of wrestling with the difficulty of regulating intoxicating products derived from industrial hemp, by incorporating them into the cannabis regulatory framework, including MAUCRSA, the Cannabis Tax Law, the Cigarette and Tobacco Products Licensing Act, and the Sherman Law. AB 8's implementation was delayed until January 1, 2028, allowing time for the industry and the state to prepare for the changes proposed by the bill. During that interim period, licensed cannabis manufacturers are only allowed to use cannabinoid concentrates and extracts that were manufactured or processed exclusively from cannabis obtained from a licensed cannabis cultivator and are not allowed to possess, transport, distribute, manufacture, or sell industrial hemp on or from a licensed premises, except that a licensed testing laboratory may test industrial hemp.

3. P.L. 119-37. Earlier this year, Congress approved the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026 (P.L. 119-37), which amended the statutory definition of hemp in federal law. The revised definition includes a *total* THC concentration of not more than 0.3% on a dry weight basis. According to the Congressional Research Service, while the 2018 farm bill definition of hemp contains a limit of 0.3% delta-9 THC on a dry weight basis, using total THC concentration instead reflects the fact that delta-9 THC is not the only potentially intoxicating THC in the cannabis plant (e.g., delta-8 THC).[3]

4. Double-referred. The Senate Committee on Business, Professions, and Economic Development Committee approved AB 2250 unanimously on June 15th, 2026. The Revenue & Taxation Committee is hearing the measure as the Committee of second reference.

Assembly Actions

Assembly Business and Professions Committee:	19-0
Assembly Revenue and Taxation Committee:	7-0
Assembly Appropriations Committee:	14-0
Assembly Floor:	72-0

Support and Opposition (6/18/26)

Support: California Cannabis Operators Association
Good Farmers Great Neighbors
Nug, Inc.

Opposition: Capitol Business Alliance

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[3] https://www.congress.gov/crs_external_products/IF/PDF/IF13136/IF13136.3.pdf