
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 8 (Aguiar-Curry) - Cannabis: cannabinoids: industrial hemp

Version: May 23, 2025

Policy Vote: B., P. & E.D. 11 - 0, REV. &
TAX. 5 - 0

Urgency: No

Mandate: Yes

Hearing Date: August 18, 2025

Consultant: Janelle Miyashiro

Bill Summary: AB 8 integrates industrial hemp into the cannabis marketplace beginning January 1, 2028, and requires products containing concentrated cannabinoids that are derived from industrial hemp to comply with provisions of the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), as specified. AB 8 also prohibits the sale of synthetic cannabis products and inhalable cannabis products containing cannabinoids derived from hemp, requires out-of-state hemp manufacturers to register with the state, and reverts the cannabis excise tax rate to 15 percent, effective January 1, 2028. AB 8 also revises and recasts enforcement provisions for cannabis, industrial hemp, and cannabis products to expand the authority for state and local enforcement agencies to inspect, seize, and destroy unlawful cannabis products including those with industrial hemp.

Fiscal Impact:

- The Department of Cannabis Control (DCC) reports implementation costs of approximately \$3 million in Fiscal Year (FY) 2026-27, and ongoing annual costs beginning in FY 2026-27 in the range of \$12 million to \$15 million (Cannabis Control Fund and Cannabis Tax Fund).
- The California Department of Tax and Fee Administration (CDTFA) report administrative costs of approximately \$2.0 million in FY 2025-26, \$3.1 million in FY 2026-27, and \$3.3 million in FY 2027-28 and annually ongoing (Cannabis Tax Fund and Cigarette and Tobacco Products Compliance Fund).

CDTFA estimates total net annual revenue losses in the range of \$166.79 million to \$194.71 million from the Cannabis Tax Fund and General Fund based on the following estimates:

- Total annual tax revenue losses in 2028 through 2032 of \$202.97 million from cannabis excise tax revenue losses of \$186.41 million and sales and use tax revenue losses of \$16.26 million.
- Industrial hemp cannabis excise tax revenue gains in the range of \$8.25 million to \$33.0 million, and sales and use tax revenue gains in the range of \$0.72 million to \$2.88 million depending on the share of the cannabidiol (CBD) market captured by cannabis retailers. CDTFA notes this estimate considered scenarios of 5 percent, 10 percent, and 20 percent market share. The revenue impact on the Cigarette and Tobacco Products Compliance Fund is unknown at this time.

- The Department of Pesticide Regulation (DPR) reports annual ongoing costs of \$221,000 for the development of guidelines for industrial hemp (DPR Fund).
- Unknown, potentially significant cost pressures to the state funded trial court system to adjudicate alleged violations of this measure (Trial Court Trust Fund, General Fund). The fiscal impact of this bill to the courts will depend on many unknowns, including the number of cases filed and the factors unique to each case. An eight-hour court day costs approximately \$10,500 in staff in workload. If court days exceed 10, costs to the trial courts could reach hundreds of thousands of dollars. While the courts are not funded on a workload basis, an increase in workload could result in delayed court services and would put pressure on the General Fund to fund additional staff and resources and to increase the amount appropriated to backfill for trial court operations.
- Unknown, potentially significant costs (local funds) to the counties to incarcerate people for the crimes created by this bill. The average annual cost to incarcerate one person in county jail varies by county, but likely ranges from \$70,000 to \$90,000 per year. The average annual cost to incarcerate one person in county jail varies by county, but likely ranges from \$70,000 to \$90,000 per year. Actual incarceration costs to counties will depend on the number of convictions and the length of each sentence. Generally, county incarceration costs are not reimbursable state mandates pursuant to Proposition 30 (2012).
- The Department of Justice (DOJ) and the California Department of Public Health (CDPH) do not anticipate any significant impact from the bill.

Background: Hemp plants and cannabis plants are both the same species. The difference that sets hemp and cannabis apart is the amount of tetrahydrocannabinol (THC). As prescribed by federal and California law, industrial hemp is defined as *Cannabis sativa* (*C. sativa*) plants, which have low levels of THC (under 0.3%). The federal Agriculture Improvement Act of 2018 (Farm Bill) made it legal to grow and sell hemp products containing less than 0.3% THC throughout the United States. By making hemp federally legal and recognized as an agriculture commodity, it permitted hemp-derived CBD products to flourish.

The *C. sativa* plant is the exact same plant where “cannabis” which are recognized as those varieties of the species that contain sufficient levels of the cannabinoid THC to produce an intoxicating psychoactive effect, or “high”; this plant and its associated products are regulated by the DCC under MAUCRSA. Hemp is currently regulated by the California Department of Food and Agriculture (CDFA) for agricultural purposes and by the CDPH when it is used in food, beverage, or cosmetic products. Consumer dietary supplements, food, or beverage products manufactured using industrial hemp must comply with the Sherman Food, Drug, and Cosmetic Law (Sherman Law). In addition, manufacturers and distributors of industrial hemp products must register with the CDPH's Food and Drug Branch. The Sherman Law also specifies the allowed composition of industrial hemp products and imposes specific labeling and marketing restrictions. Businesses engaged in the manufacturing, packing, or holding of industrial hemp products are required to register with CDPH. However, those that grow industrial hemp as a crop are under the jurisdiction of the CDFA.

Proposed Law:

- 1) Adds “industrial hemp” to the following definitions under MAUCRSA, Batch, Harvest batch, Cannabis concentrate, and Distributor.
- 2) Defines “cannabinoid” to mean one of various naturally occurring compounds found in cannabis and industrial hemp that attach to cannabinoid receptors in humans and animals, and includes tetrahydrocannabinol (THC) and cannabidiol (CBD).
- 3) Adds the following to the definition of cannabis products “cannabis or industrial hemp that has undergone a process whereby the plant material has been transformed into a concentrate including, but not limited to, concentrated cannabinoids, or product containing cannabis or concentrated cannabinoids”
- 4) Defines “CBD isolate” to mean a compound extracted from the cannabis or industrial hemp consisting of CBD (CAS-number 13956-29-1), with a purity level greater than 99 percent.
- 5) Updates the definition of “commercial cannabis activity” to include cultivation of cannabis.
- 6) Defines “industrial hemp” for purposes of MAUCRSA to mean means types of the plant *Cannabis sativa* Linnaeus with a postdecarboxylation delta-9 THC concentration of no more than 0.3 percent on a dry weight basis and is limited to only agricultural products, including seeds, propagated plant material, immature or mature plants, harvested plants, processed plant material, mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant or any other preparation that does not contain cannabinoids. “Industrial hemp” does not include cannabis products as defined in this section.
- 7) Defines “licensed market” to mean the California licensed market for cannabis, industrial hemp, and cannabis products that is subject to regulation under MAUCRSA.
- 8) Adds nonmanufactured cannabis products including dried flower and pre-rolls containing only dried flower to the definition of “processor”.
- 9) Defines “synthetic cannabinoid” under MAUCRSA to mean a cannabinoid or cannabinoid-like compound that is produced or converted by using biosynthesis, bioconversion, or chemical synthesis, reaction, modification, conversion, or a similar process. This includes, but is not limited to, delta-8-THC (CAS number 5957-75-5), delta-9-THC (CAS number 1972-08-3), delta-10-THC (CAS number 95543-62-7) that was produced by the conversion of CBD (CAS number 13956-29-1), or any other chemical substance identified by the DCC in regulation. Synthetic cannabinoid does not include any of the following:
 - a) A cannabinoid produced by the decarboxylation of acidic phytocannabinoids without the use of chemical reagents or chemical catalysts. This includes, but is not limited to, the conversion of cannabidiolic acid (CBDA) into cannabidiol (CBD) without the use of chemical reagents or chemical catalysts.

- b) A cannabinoid that also occurs naturally in the *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis* plant that was produced with the use of heat, light, or pressure from other phytocannabinoids, and without the use of any chemical reagents or catalysts. This includes, but is not limited to, the conversion of THC into cannabitol (CBN) with the use of heat, light, or pressure, and without the use of any chemical reagents or catalysts.
 - c) Any other chemical substance identified by the DCC in regulation.
- 10) Exempts regulated products under the Sherman act that do not contain cannabinoids other than CBD isolate from MAUCRSA.
 - 11) Expands the prohibition against unlawful use of the universal symbol in connection with illicit commercial cannabis activity to include images bearing any likeness, simulation, or any representation substantially similar to the universal symbol, and prohibits the universal symbol from being altered or cropped except as authorized by MAUCRSA.
 - 12) Permits the state to destroy any package, label, advertisement bearing the universal symbol or its likeness that violates MAUCRSA, as specified.
 - 13) Clarifies that other state and local agencies have authority to take enforcement for violations of MAUCRSA, including violations of the penal code.
 - 14) Expands the authority of a peace officer to seize cannabis and cannabis products to include industrial hemp or cannabis products subject to seizure under the Sherman Law as well as industrial hemp products in violation of state, federal, or tribal law.
 - 15) Requires for purposes of a bond that it be enough to cover the all costs of destruction including administrative, investigatory, and enforcement costs incurred by the DCC.
 - 16) Requires the Department of Pesticide Regulation (DPR) to develop guidelines for the use of pesticides in the cultivation of industrial hemp, as specified, and prohibits an industrial hemp cultivator from transferring or selling industrial hemp to a licensee if a banned pesticide was used in cultivation.
 - 17) Includes “industrial hemp cultivator” and “industrial hemp” in the provisions of the track and trace program, as specified.
 - 18) Incorporates industrial hemp into the licensure requirements for retailers, distributors, microbusinesses, and combined activities, as specified.
 - 19) Prohibits a person from selling, offering, or providing a product in California that is any of the following:
 - a) An alcoholic beverage that contains cannabinoids;

- b) An inhalable cannabis product containing cannabinoids derived from industrial hemp; or,
 - c) Any product containing synthetic cannabinoids.
- 20) Clarifies that industrial hemp or cannabis products derived exclusively from industrial hemp may be shipped through California without entering the licensed market, provided they are not sold in California, or shipped out of California by a licensee.
 - 21) Requires industrial hemp, upon entry into the licensed market to be held in quarantine and tested by a licensed testing laboratory to confirm that it meets the definition of industrial hemp before being transferred to another licensee or incorporated into a cannabis product.
 - 22) Incorporates industrial hemp under the testing requirements for licensed testing laboratories, as specified.
 - 23) Deletes the current prohibition on noncannabis foods or beverages products from containing industrial hemp for purposes of cannabis retailers selling noncannabis related food and beverages.
 - 24) Makes the provisions for incorporating industrial hemp into the cannabis marketplace effective January 1, 2028.
 - 25) Clarifies that industrial hemp is only subject to the provisions of the MAUCRSA upon entry into the licensed cannabis market.
 - 26) Prohibits the sale of hemp flower and hemp prerolls for consumption within the state.
 - 27) Includes any synthetic cannabinoid, as defined under MAUCRSA, in the references to “synthetic cannabinoid compound” under the Controlled Substance Use Act in the HSC.
 - 28) Clarifies that it is illegal for a person 18 years of age or older to employ minor to sell, transport or otherwise distribute cannabis or cannabis products.
 - 29) Specifies that in-state hemp manufacturer and an out-of-state hemp manufacturer who produces industrial hemp that is a food or beverage for sale in this state is required to register with the CDPH.
 - 30) Adds definitions of “CBD Isolate” and “synthetic cannabinoid” to be the same as those definitions in MAUCRSA to the Cannabis Tax Law beginning January 1, 2028
 - 31) Requires beginning in January 1, 2028 and until January 1, 2033, a cannabis excise tax to be imposed on purchases of cannabis and cannabis products (as defined in MAUCRSA effective January 1, 2028) at 15% of the gross receipts of any retail sale by a cannabis retailer.

- 32) Requires on and after January 1, 2033 a cannabis excise tax to be imposed upon purchases of cannabis and cannabis products sold in this stat at percent of gross receipts of any cannabis retailer that was in effect on December 31, 2027.
- 33) Requires for the 2033-34 fiscal year (FY) and every two years thereafter, the CDTFA in consultation with the Department of Finance (DOF), on or before May 1 of the FY immediately preceding the applicable FY, adjust the cannabis excise tax rate upon purchasers of cannabis or cannabis products imposed in 32 above) by the additional percentage of the gross receipts of any retail sale by a cannabis retailer that the CDTFA estimates will generate an amount of revenue equivalent to the amount that would have been collected in the previous FY pursuant to the weight-based cultivation tax imposed under Section 34012 as it read on the date before the effective date of the act adding this section. In no case shall the cannabis excise tax exceed 19 percent of the gross receipts of retail sale. The CDTFA shall round the rate calculated under this subdivision to the nearest one-quarter of 1 percent. The adjusted rate shall become operative the following July 1.
- 34) Requires on or before May 1, 2033 and each May 1 every two years thereafter, the CDFTA, in consultation with the DOF to estimate the amount of revenue that would have been collected in the previous fiscal year pursuant to the weight-based cultivation tax, as specified. The CDFTA must estimate this amount by projecting the revenue from weight-based cultivation taxes that would have been collected in the previous calendar year based on information available to the CDTFA, including, but not limited to, information in the track and trace system, or any implementing regulations, as a percentage of gross receipts from the retail sale of cannabis and cannabis products by cannabis retailers in the previous calendar year.
- 35) Makes the provisions of 31-34) above operative on January 1, 2028.
- 36) Prohibits cigarette or tobacco retailers from possessing or selling cannabis, cannabis products, or unauthorized hemp products containing or purporting to contain THC or a comparable cannabinoid at any site where cigarettes or tobacco products are stored or sold, and establishes specified fines and penalties.
- 37) Authorizes the CDTFA or a law enforcement agency to seize products being unlawfully sold at a cannabis or tobacco retail location and provides for specific civil penalties in addition to the suspension or revocation of the retailer's license, as specified.
- 38) Increases inspection and enforcement authority for various agencies.
- 39) Prohibit a person that is engaged in the business of selling cigarettes or tobacco products in California from possessing, storing, owning, or making a retail sale of cannabis, cannabis products, or a product that contains or purports to contain THC or a comparable cannabinoid that is not a hemp product authorized to be sold pursuant to the Sherman Food, Drug, and Cosmetic laws, at any site where cigarettes or tobacco products are sold or stored; and, subjects a person that violates this prohibition to civil penalties or suspension or revocation of a tobacco retailer license, as specified.

- 40) States that it is presumed that a product containing or purporting to contain THC or comparable cannabinoid is a cannabis product, regardless of the nature or the source of the cannabinoid, if there is reasonable cause to believe that the product is not a product authorized to be distributed or sold under the Sherman Act, and the presumption may be rebutted by evidence showing the product complies with the Sherman Act, as specified.
- 41) Makes numerous other technical, clarifying, and conforming changes.

Related Legislation: AB 564 (Haney of 2025) would repeal language requiring the CDTFA to increase the cannabis excise tax rate to compensate for the estimated revenue lost because of the suspension of the cannabis cultivation tax. AB 564 is pending in this committee.

Proposed Author Amendments: Delete the provisions amending Section 34011.2 of the Revenue and Taxation Code.

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