



Fiscal Overview of Legal Cannabis

South Dakota Marijuana Interim Study Committee

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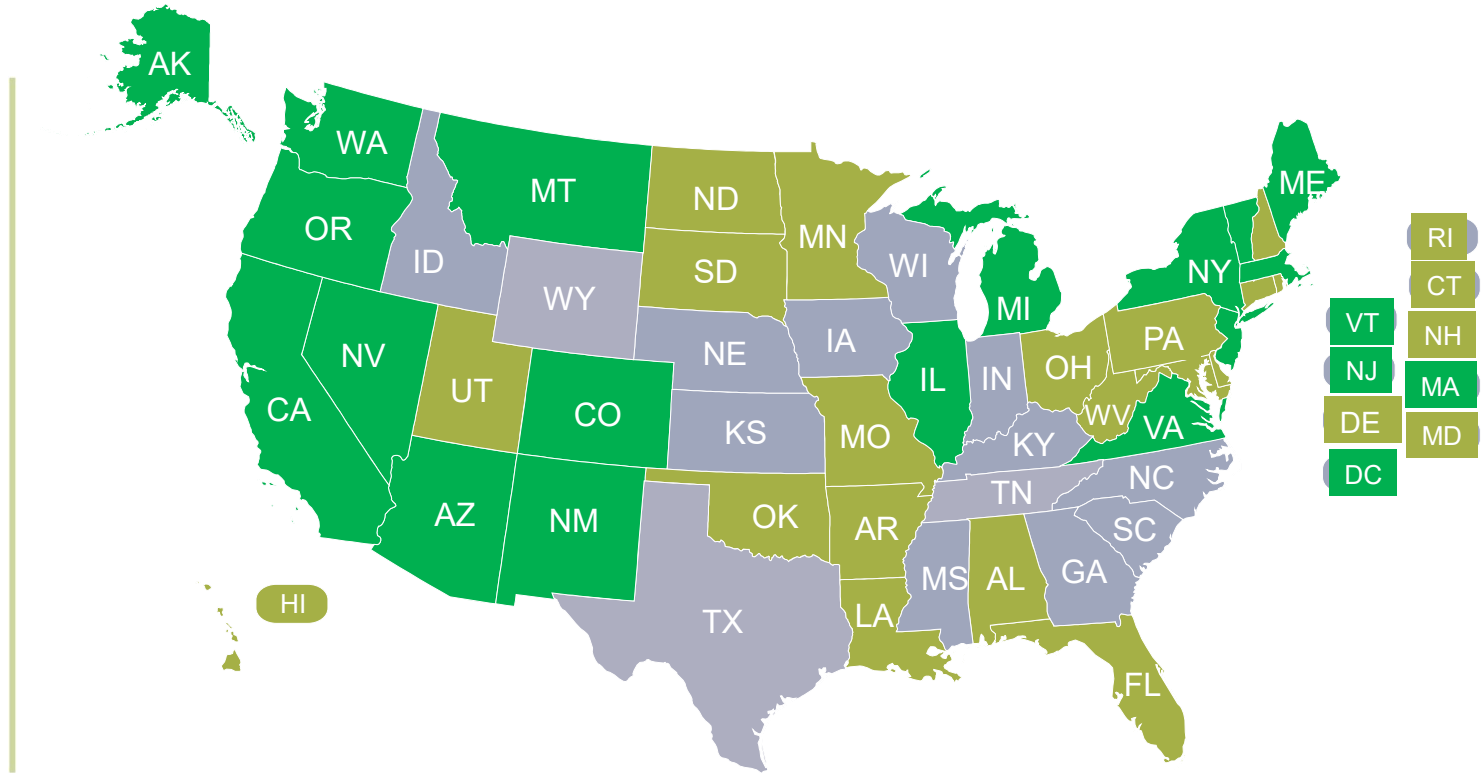
NCSL Fiscal Affairs Program

May 26, 2021

Legal Status of Cannabis

States without Personal Income or Sales Taxes

- 18** Recreational and Medical
- 37** Comprehensive Medical



Cannabis Tax Structures

Types of Tax?

- Percentage of Price
- Weight- or Unit-Based
- Based on THC Content (Potency)

Point of collection?

- Growers, Processors, Retailers

Tax Rate?



Select Comparison of Adult-Use Taxes



State	Tax Type
Alaska	Weight-based Excise Tax: <ul style="list-style-type: none"> • \$50 per ounce for flowers/mature buds. • \$25 per ounce for immature or abnormal buds • \$15 per ounce for trim • Clones: flat rate of \$1 per clone
California	<ul style="list-style-type: none"> • 15% excise tax on retail sales • 7.25% state sales tax • Cultivation tax: \$9.25 per ounce for flowers; \$2.75 per ounce for leaves; \$1.29 per ounce of fresh plant.
Colorado	<ul style="list-style-type: none"> • 15% excise tax • 15% retail sales tax
Illinois	<ul style="list-style-type: none"> • Cultivation privilege tax: 7% of the gross receipts from the sale of cannabis by a cultivator or craft grower to a dispensing organization • Cannabis Purchaser Excise Tax: <ul style="list-style-type: none"> ➤ 10% of purchase price – cannabis with THC level at or below 35% ➤ 20% of purchase price – all cannabis infused products ➤ 25% of the purchase price – cannabis with THC level above 35% • 6.25% state sales and use tax
Montana	<ul style="list-style-type: none"> • 20% excise tax at retail
New Mexico	<ul style="list-style-type: none"> • 12% cannabis excise tax (rises to 18% by 2030) • 5.125% gross receipts tax (sales tax)

Medical Cannabis Taxes

Of the 37 states that have comprehensive medical cannabis programs:

- 11 states exempt medical cannabis from sales and/or excise taxes
- 10 states apply sales and use taxes
- 8 states apply a special excise tax
- 6 states apply both an excise tax and sales taxes

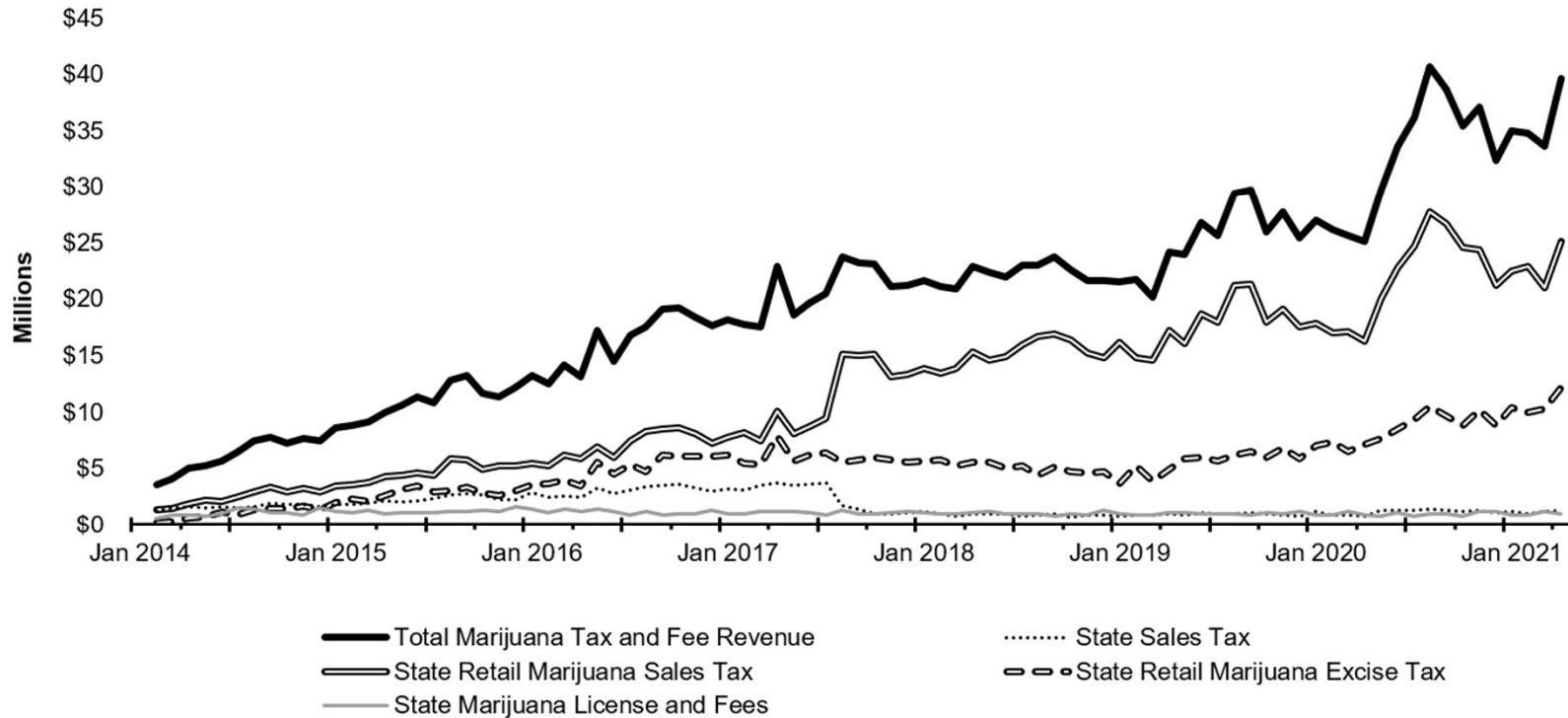


Select State Recreational Cannabis Tax Revenues (in millions)

State	FY 2018	FY 2019	FY 2020
Alaska	\$11.1	\$19.2	\$24.5
California*	\$397.3	\$636.9	\$1,031.9
Colorado*	\$266.5	\$302.5	\$375.9
Nevada	\$69.8	\$99.2	\$105.2
Oregon	\$82.2	\$102.1	\$133.2
Washington	\$362.0	\$390.4	\$469.2

*CA and CO numbers are by calendar year, not fiscal year

Colorado Department of Revenue Marijuana Tax Revenue



Source: Revenue collected monthly as posted in the Colorado state accounting system.
 Prepared by: Office of Research and Analysis, Colorado Department of Revenue | dor_ora@state.co.us.
 Publish date: May 2021



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Medical Cannabis Revenues

Montana	Pennsylvania	Oklahoma
\$3.9 million in FY 2020.	\$10.7 million in FY 2020	\$127.8 million in CY 2020

Forecasting Challenges

- Difficult to estimate both demand and market prices, especially for early-adopting states
- Legal market takes time to develop
- Strong, early revenue growth tends to slow



Revenue Allocation

- Education
- Treatment, Prevention, Public Health Education
- Law Enforcement
- Social Equity
- Localities
- Infrastructure



Typical Costs to the State

- Licensing, Permitting, Monitoring and Inspection
- Tax Administration
- Law Enforcement
- Fewer Court Fees and Penalties



Impact of Future Federal Action

- Marijuana is still classified as an illegal, schedule one controlled substance.
- Cannabis prices could fall if federal barriers to doing business are removed.



Thank You!

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