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# How the SAFE Banking Act could reduce states’ cannabis revenue

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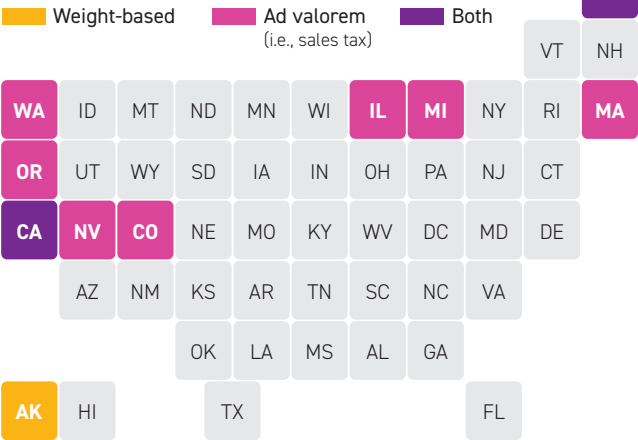
A Tax Foundation analysis projects that if the SAFE Banking Act were to become law, expanded access to financial services would promote competition among cannabis businesses and lower retail prices. This would reduce tax revenue in states that have set ad valorem rates, compared with states that have set taxes based on weight or quantity instead of value.

## State taxes on adult-use cannabis, explained

Most states that currently tax legal cannabis sales have set percentage-based excise or sales taxes. In these states, lower prices would yield less tax revenue. Three states — Alaska, California and Maine — have set at least some taxes by weight rather than an ad valorem tax; collections for these taxes would not fall in relation to lower prices. Alaska is the sole state that has only set weight-based taxes.

States also tax cannabis at different points in the production and distribution process. Massachusetts sets a 10.75 percent sales tax on cannabis, while California has set a similar sales tax, as well as a tax on cultivators that is levied during the growth and production process.

## How states tax adult-use cannabis

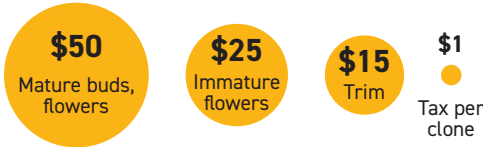


### Taxes, by weight (per ounce)

Would not be directly affected by lower prices.

#### Alaska

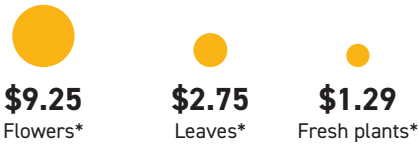
Alaska taxes cannabis when it is “sold or transferred” from a cultivator to a retail store or to a processor, per the Alaska Department of Revenue.



#### California

California has set cultivation taxes for producers by weight and has set an excise tax on adult-use and medicinal cannabis sales. It bases the excise tax on a predetermined markup rate.

\*Tax on flowers and leaves is per dry-weight ounce. Fresh plants must be weighed within two hours of harvest.



#### Colorado

Colorado taxes marijuana upon the first transfer or sale of unprocessed marijuana from a cultivator to a store or manufacturer, and also taxes retail sales.

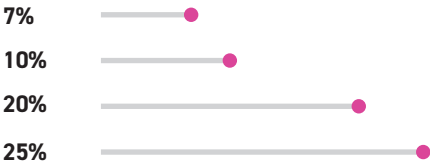
No cannabis taxes by weight



#### Illinois

Cultivators pay a **7 percent gross receipts tax**. There are several excise taxes for retail sales: **20 percent on cannabis-infused products**, **10 percent** on cannabis that is less than 35 percent THC and **25 percent** on cannabis that is more than 35 percent THC.

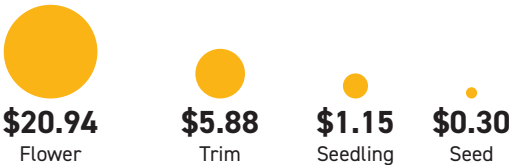
No cannabis taxes by weight



#### Maine\*\*

Retail sales have yet to begin in Maine. When they start, Maine cultivators will pay taxes based on weight, and consumers will pay a **10 percent sales tax**.

\*\*Maine set tax rates per pound; tax per ounce is shown here for comparison to other states, which have set rates by ounce.



#### Massachusetts

Massachusetts taxes retail sales.

No cannabis taxes by weight



#### Michigan

Retails sales have not begun in Michigan. When they do, adult-use marijuana will face an excise tax on retail sales.

No cannabis taxes by weight



#### Nevada

Marijuana cultivators pay a **15 percent** excise tax on wholesale marijuana, based on the fair market value at wholesale as estimated by the Department of Taxation. Retail stores pay a **10 percent excise tax on retail sales**.

No cannabis taxes by weight



#### Oregon

Oregon taxes retail sales.

No cannabis taxes by weight



#### Washington

Washington taxes retail sales.

No cannabis taxes by weight



Notes: Does not include any taxes on medical marijuana or local (e.g., county or municipal) cannabis taxes unless otherwise noted. Does not include general sales taxes. Vermont has passed legislation to allow retail sales in 2021 but has yet to set any related sales tax rates.

Sources: IRS; Tax Foundation; ITEP; Alaska Department of Revenue; California Department of Tax and Fee Administration; Colorado Department of Revenue, Taxation Division; United Counties Council of Illinois; Maine Department of Administration and Financial Services; Massachusetts government; Massachusetts Department of Revenue; Michigan Department of Licensing and Regulatory Affairs; Nevada government; Oregon Department of Revenue; University of Washington; Washington Liquor and Cannabis Board

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