



Marijuana Tax Revenue in States that Regulate Marijuana for Adult Use

Legalizing marijuana for adults has been a wise investment. Since 2014 when sales began in Colorado and Washington, legalization policies have provided states a new revenue stream to bolster budgets and fund important services and programs. As of May 2021, states reported a combined total of \$7.9 billion in tax revenue from legal, adult-use marijuana sales. In addition to revenue generated for statewide budgets, cities and towns have also generated hundreds of thousands of dollars in new revenue from local adult-use cannabis taxes.

Eighteen states have enacted laws legalizing, taxing, and regulating cannabis for adults 21 and older. Eight of the laws passed in 2020 or 2021, and in seven of those states, licensing and tax collections have not yet begun. This document reviews each state's adult-use cannabis tax structure, population, and revenue from legalization. It does not include medical cannabis tax revenue, application and licensing fees paid by cannabis businesses, additional income taxes generated by workers in the cannabis industry, or corporate taxes paid to the federal government.

Colorado (pop. 5.8 million) | Current tax rate: 15% wholesale, 15% special retail

Colorado voters approved an initiative to regulate marijuana for adults in November 2012, and on January 1, 2014, the state became the first with legal adult-use sales. Colorado already had a developed medical cannabis regulatory system, and many businesses were able to transition to having both a medical and an adult-use counter. Colorado has a robust medical program, with about 1.6% of the population enrolled. Colorado's 15% wholesale excise tax and its 15% special retail tax do not apply to those sales. (The special retail tax rate was 10% until the legislature and governor increased it in July 2017. Also, until July 2017, a 2.9% standard statewide sales tax was levied on marijuana sales. Currently, the standard sales tax is only applied to marijuana accessories (e.g. pipes) and is not included in the totals below.)

As of April 2021, \$404.5 million of the total revenue generated from cannabis taxes has been dedicated to improving Colorado's public school system.¹

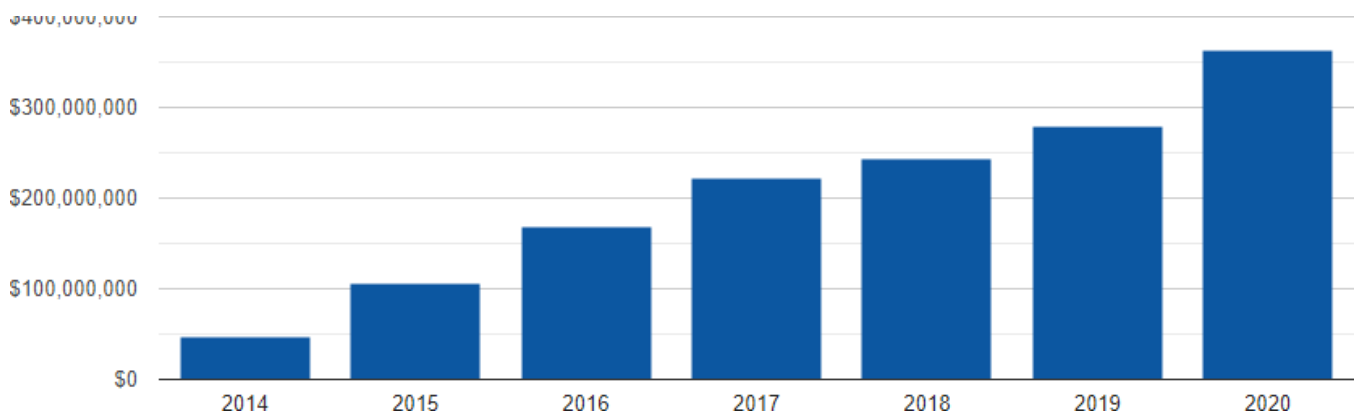
The below figures do not count local sales tax revenues, which have been significant. The city of Denver, for example, applies an additional 5.5% local sales tax on adult-use cannabis and has collected \$210.6 million as of April 2021.²

¹ <https://cdor.colorado.gov/data-and-reports/marijuana-data/marijuana-tax-reports>

² <https://www.denvergov.org/Government/Departments/Marijuana-Information-Office/Data-and-Statistics>

Year	State Tax Revenue from Adult-Use Cannabis ³
2014	\$46,104,922
2015	\$104,759,961
2016	\$167,157,150
2017	\$220,688,951
2018	\$243,466,892
2019	\$279,155,047
2020	\$362,027,103
Jan. – April 2021	\$134,518,947
Total	\$1,557,878,973

State Tax Revenue from Adult-Use Cannabis (Colorado)



Washington (pop. 7.6 million) | Tax rate: 37% at retail since July 2015; 6.5% sales tax

Washington’s voters also approved an adult-use measure in November 2012, and its first stores opened in July 2014. At the time, the state had an unregulated, arguably illegal medical marijuana dispensary system, which was separate from the regulated adult-use program. This resulted in a slower ramp-up than in Colorado. Until July 2015, taxes were quite high — 25% at three points of transfer — making it hard to compete with illegal sales. In addition to changing the tax rate to 37% in 2015, the legislature created a medical endorsement program to which adult-use stores could apply to join.

In the 2019 and 2020 fiscal years, state officials reported that revenue from the 37% cannabis retail tax outpaced alcohol tax revenue, despite the fact that many more adults consume alcohol than cannabis.⁴

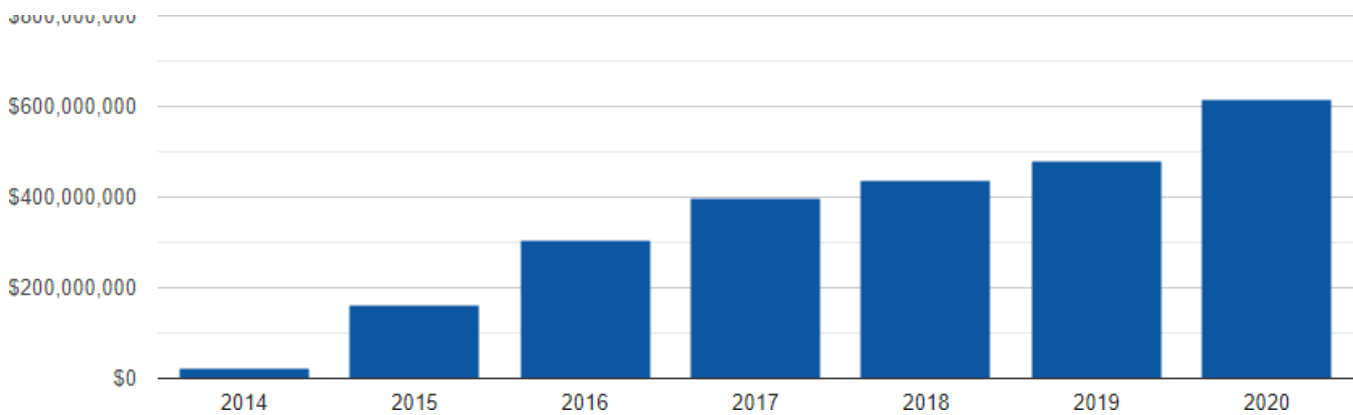
³ <https://cdor.colorado.gov/data-and-reports/marijuana-data/marijuana-tax-reports>

⁴ https://dor.wa.gov/sites/default/files/legacy/docs/reports/2020/Tax_Statistics_2020/Table1.pdf

For every \$1 billion in revenue collected from the cannabis sales tax, nearly \$600 million is funneled into public health initiatives, including a fund that provides health insurance for low-income families.⁵ The below figures do not include local taxes, which totaled an estimated \$167 million from July 2014 through March 2021.⁶

Year	State Tax Revenue from Adult-Use Cannabis ⁷
June – Dec. 2014	\$22,399,058
2015	\$159,451,910
2016	\$302,976,832
2017	\$397,358,420
2018	\$437,169,560
2019	\$477,310,790
2020	\$614,475,190
Jan. – Mar. 2021	\$157,586,530
Total	\$2,568,728,290

State Tax Revenue from Adult-Use Cannabis (Washington)



Oregon (pop. 4.2 million) | Tax rate: 17% at retail

Oregon voters approved an initiative regulating marijuana for adult use in November 2014, and the state’s first adult-use stores opened in October 2016. In addition, the legislature allowed medical cannabis dispensaries to sell a limited amount of marijuana (five grams) to adults from October 2015 until December 31, 2016. Those sales were taxed at 25% beginning January 4, 2016. The state’s medical patients (about 0.5% of Oregon’s population and dropping) can buy cannabis tax-free from adult-use stores.

⁵ <https://crosscut.com/news/2021/02/how-1-billion-pot-taxes-gets-spent-washington-state>

⁶ <https://dor.wa.gov/about/statistics-reports/recreational-and-medical-marijuana-taxes>

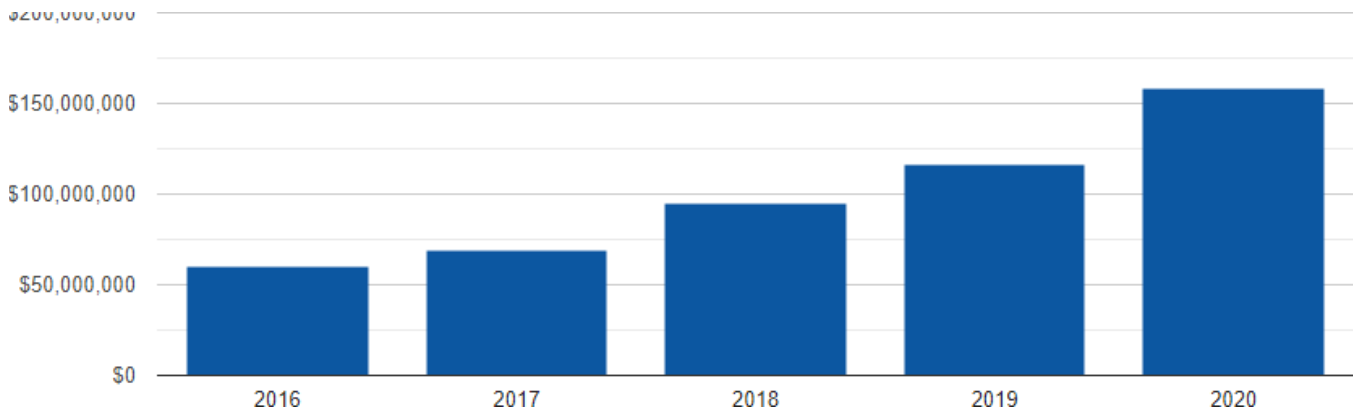
⁷ Monthly excise tax data: <https://www.502data.com/> (for data prior to 2017); Monthly sales tax data and excise tax estimates based on sales volume provided here: <https://dor.wa.gov/about/statistics-reports/recreational-and-medical-marijuana-taxes>

Of the cannabis-related tax revenue it collects, the state distributes 40% to public schools, 15% to law enforcement, and 25% to mental health and treatment programs.⁸

The below figures do not include the 3% sales tax some localities impose. From February 2017 through March 2021, the local taxes collected totaled \$73.9 million.⁹

Year	State Tax Revenue from Adult-Use Cannabis ¹⁰
Feb. – Dec. 2016	\$60,154,432
2017	\$68,646,246
2018	\$94,226,985
2019	\$115,915,277
2020	\$158,336,274
Jan. – March 2021	\$42,792,552
Total	\$540,071,765

State Tax Revenue from Adult-Use Cannabis (Oregon)



Alaska (pop. 730,000) | Tax rate: \$50/ounce at wholesale

Alaska voters approved an initiative to regulate marijuana for adult use in November 2014, and the first adult-use stores opened in October 2016.

A number of factors initially resulted in slower revenue generation than in some other states. The state’s medical marijuana program did not have dispensaries, meaning there were no cannabis businesses that could transition to adult-use cultivators and retailers. As a result of a limited supply, many stores closed for large stretches of January 2017 or operated with reduced hours.¹¹

⁸ <https://www.oregon.gov/dor/programs/gov-research/Documents/Financial-reporting-distributions-public.pdf>

⁹ <https://www.oregon.gov/DOR/programs/gov-research/Pages/research-marijuana.aspx>

¹⁰ *Ibid.*

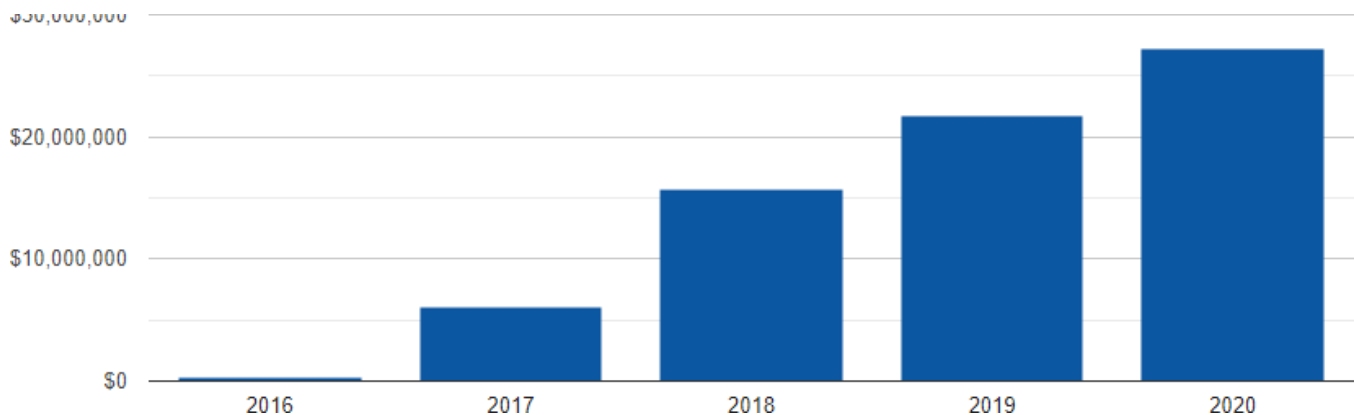
¹¹ Laurel Andrews, “Legal weed is hard to come by in Alaska,” *Alaska Dispatch News*, January 5, 2017.

Half of all adult-use cannabis tax revenue is invested in the Recidivism Reduction Fund and supports reentry programs for currently and formerly incarcerated individuals.¹²

The below figures do not include additional tax some localities impose.

Year	State Tax Revenue from Adult-Use Cannabis ¹³
Oct. – Dec. 2016	\$232,696
2017	\$6,075,069
2018	\$15,697,268
2019	\$21,672,822
2020	\$27,205,435
Jan. – March 2021	\$7,335,283
Total	\$78,218,573

State Tax Revenue from Adult-Use Cannabis (Alaska)



Nevada (pop. 3.1 million) | Tax rate: 15% wholesale, 10% special retail

Nevada voters approved an initiative regulating marijuana for adult use in November 2016. The first adult-use stores were expected to be licensed in 2018, but the legislature and governor allowed medical cannabis dispensaries to sell to adults beginning on July 1, 2017.

A substantial piece of the 15% wholesale tax paid by cannabis cultivators goes to local governments, while the remainder is deposited into the state’s Distributive School Account to fund public education. The 10% cannabis retail tax has added hundreds of millions of dollars to the state’s rainy day fund.

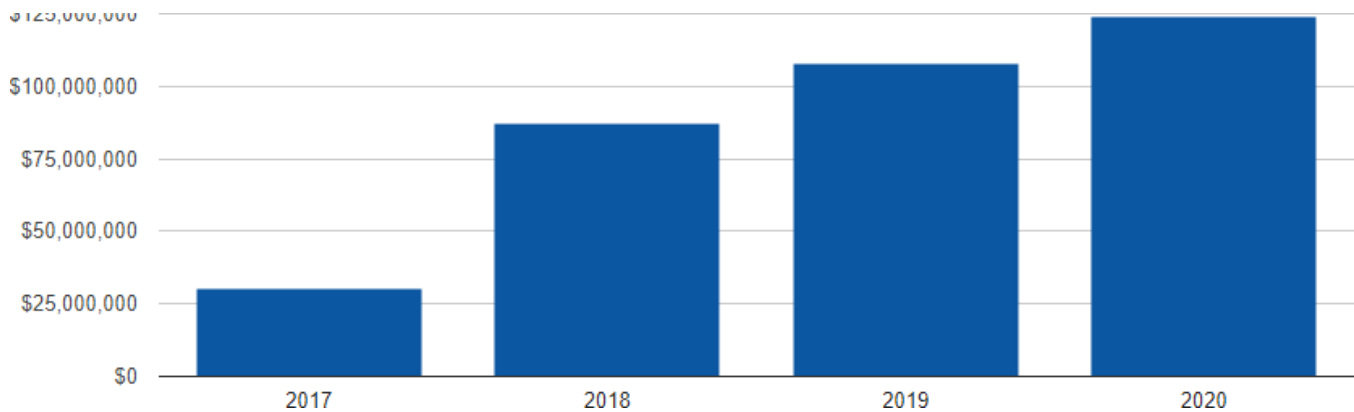
The below figures do not count standard state and local sales taxes.

¹² <https://tax.alaska.gov/programs/programs/reports/Annual.aspx?60000&Year=2020>

¹³ <http://tax.alaska.gov/programs/programs/reports/index.aspx?60000>

Year	State Tax Revenue from Adult-Use Cannabis ¹⁴
July – Dec. 2017	\$30,376,795
2018	\$86,901,086
2019	\$107,440,859
2020	\$123,683,509
Jan. - Feb. 2021	\$25,641,055
Total	\$374,043,304

State Tax Revenue from Adult-Use Cannabis (Nevada)



California (pop. 39.5 million) | Tax rate: \$9.25 per ounce for flowers or \$2.75 on leaves/trim; 15% excise tax; 7.25% standard sales tax

California voters approved an initiative regulating marijuana for adults' use in November 2016. The state's first adult-use stores began to open in January 2018, but transition from the state's unregulated, grey market medical marijuana providers to a licensed and regulated system has been more gradual than some anticipated. In addition, localities have been slow to establish regulations, which has delayed the transition and reduced revenue.

In 2020, California collected more than \$1 billion in adult-use cannabis tax revenue, a 62% increase compared to 2019.

The voter-approved legalization law directs a significant portion of its cannabis tax revenues to local nonprofit programs that benefit people adversely impacted by punitive drug laws. More than \$100 million has already been distributed to community groups, with more on the way.¹⁵ The state also invests large chunks of cannabis revenue into child care services and environmental programs.

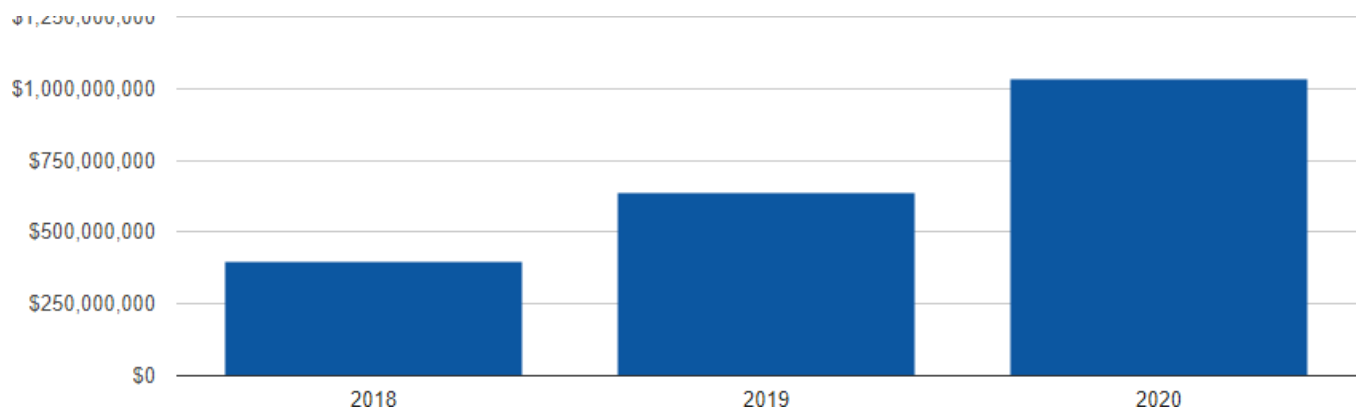
¹⁴ https://tax.nv.gov/Publications/Marijuana_Statistics_and_Reports/

¹⁵ <https://apnews.com/article/marijuana-business-california-recreational-marijuana-ae20c17fc439570783d6be602e2e4e6f>

The below figures do not include local sales and special taxes established by municipalities across the state, which raise an estimated \$85 million in additional tax dollars each year in the state.¹⁶

Year	State Tax Revenue from Adult-Use Cannabis ¹⁷
2018	\$397,720,611
2019	\$638,081,178
2020	\$1,031,879,926
Total	\$2,067,681,715

State Tax Revenue from Adult-Use Cannabis (California)



Massachusetts (pop. 6.9 million) | Tax rate: 10.75% excise tax on sales; 6.25% standard sales tax

Massachusetts voters approved an initiative regulating marijuana for adults’ use in November 2016. Many expected sales to begin in the summer of 2018, but the first adult-use stores did not open until November 2018.

With adult-use cannabis tax revenue collected so far, the state has invested millions of dollars into public transportation and local governments.¹⁸

Massachusetts allows cities and towns to impose an additional sales tax up to 3%. Figures below do not include those totals.

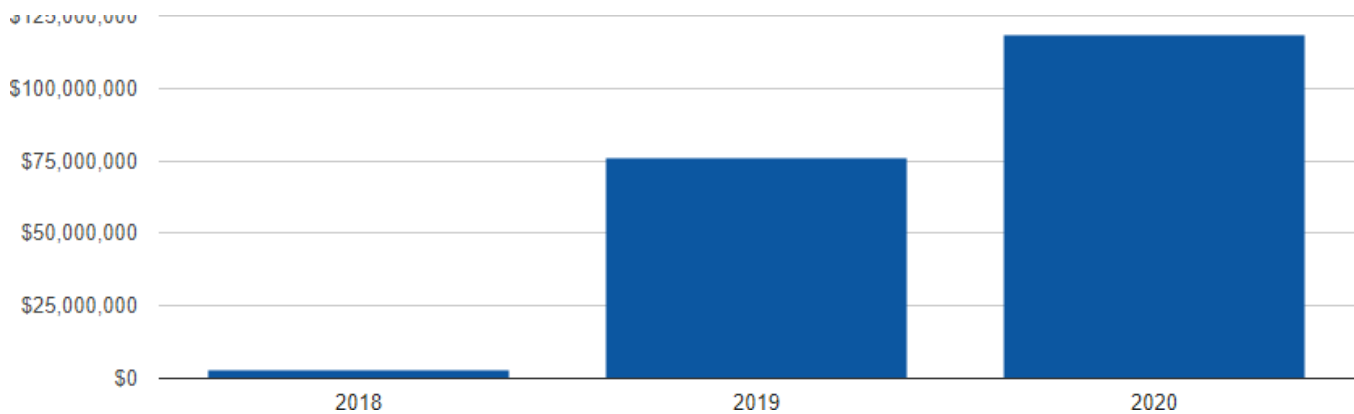
¹⁶ https://www.youth-forward.org/uploads/9/8/8/6/98869028/youth_forward_cannabistaxreport_2020_rev060820.pdf

¹⁷ <https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=CannabisTaxRevenues>

¹⁸ <https://www.masslive.com/marijuana/2020/08/heres-where-marijuana-tax-revenue-has-gone-in-massachusetts.html>

Year	Estimated State Tax Revenue from Adult-Use Cannabis ¹⁹
Nov. – Dec. 2018	\$2,798,319
2019	\$75,667,604
2020	\$118,455,230
Jan. – April 2021	\$63,950,359
Total	\$260,871,512

State Tax Revenue from Adult-Use Cannabis (Massachusetts)



Michigan (pop. 10 million) | Tax rate: 10% excise tax on sales; 6% standard sales tax

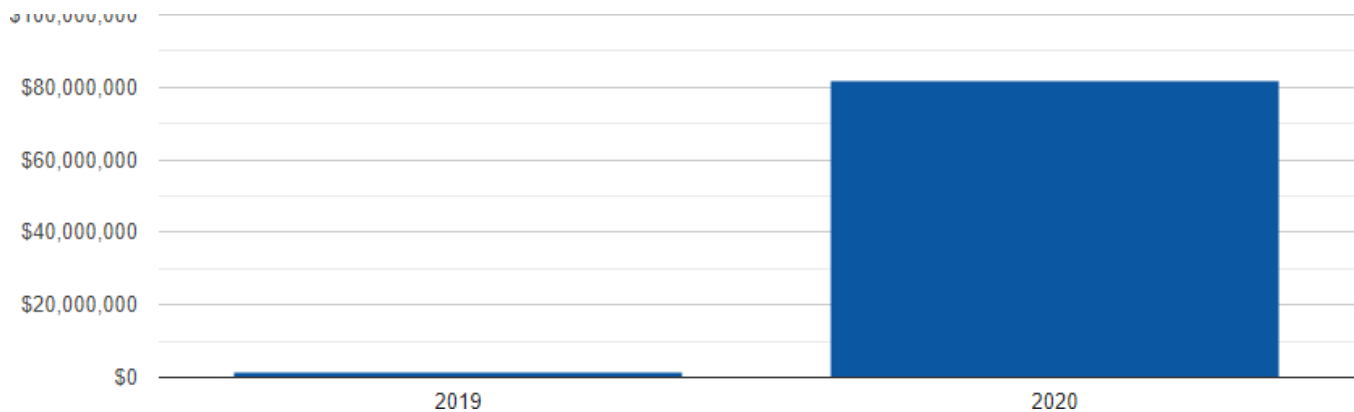
Michigan voters approved an initiative to legalize and regulate marijuana for adults’ use in November 2018. Sales began in December 2019, but localities have been slow to opt in and establish regulations, which delays the transition from the illicit market. Detroit opted in on November 24, 2020.

For adult-use cannabis taxes collected in Fiscal Year 2020, the Michigan Department of Treasury reported in March 2021 that, “[a]side from the nearly \$10 million in disbursements to municipalities and counties, around \$11.6 million will be sent to the School Aid Fund for K-12 education and another \$11.6 million to the Michigan Transportation Fund, upon appropriation. The remaining \$12.5 million amount will be used toward start-up and administrative costs.”²⁰

¹⁹ Note: This estimate is calculated by applying the 17% tax to the cumulative sales data provided at this link: <https://opendata.mass-cannabis-control.com/stories/s/Sales-and-Product-Distribution/xwwk-y3zr>

Year	Estimated State Tax Revenue from Adult-Use Cannabis ²¹
Dec. 2019	\$1,118,289
2020	\$81,705,350
Jan. – Apr. 2021	\$53,963,717
Total	\$136,787,356

State Tax Revenue from Adult-Use Cannabis (Michigan)



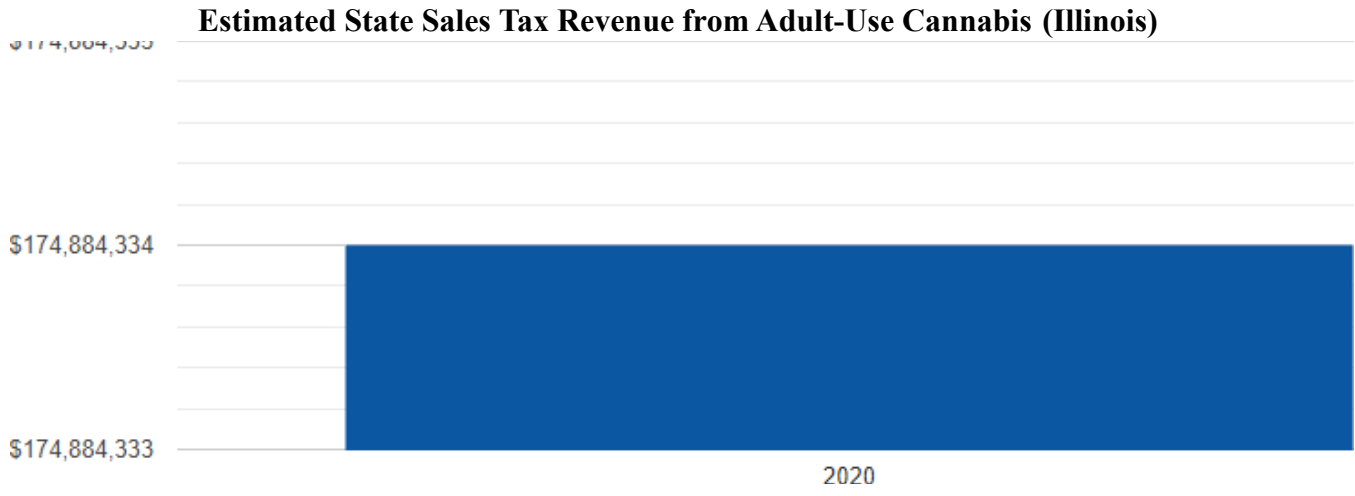
Illinois (pop. 12.7 million) | Tax rate: 7% at wholesale; from 10-25% at retail, depending on potency; 6.25% standard sales tax

On June 25, 2019, Gov. J.B. Pritzker signed HB 1438 into law, legalizing and regulating marijuana for adults' use. Sales from existing medical cannabis businesses began on January 1, 2020.

Illinois' law puts a strong emphasis on social equity and repairing harms caused by enforcement of laws that criminalized cannabis. In addition to investing 20% of adult-use cannabis tax revenue into mental health services, the state directs 25% of the funds to the Recover, Reinvest, and Renew Program, which supports local organizations in developing programs that benefit disadvantaged communities.

²¹ https://www.michigan.gov/lara/0,4601,7-154-89334_79571_93032-497635--,00.html

Year	Estimated State Tax Revenue from Adult-Use Cannabis ²²
2020	\$174,884,334
Jan. - Apr. 2021	\$119,677,613
Total	\$294,561,947



Maine (pop. 1.3 million) | Tax rate: Wholesale tax of \$335 per pound with lower rates for trim and seedlings; 10% sales tax

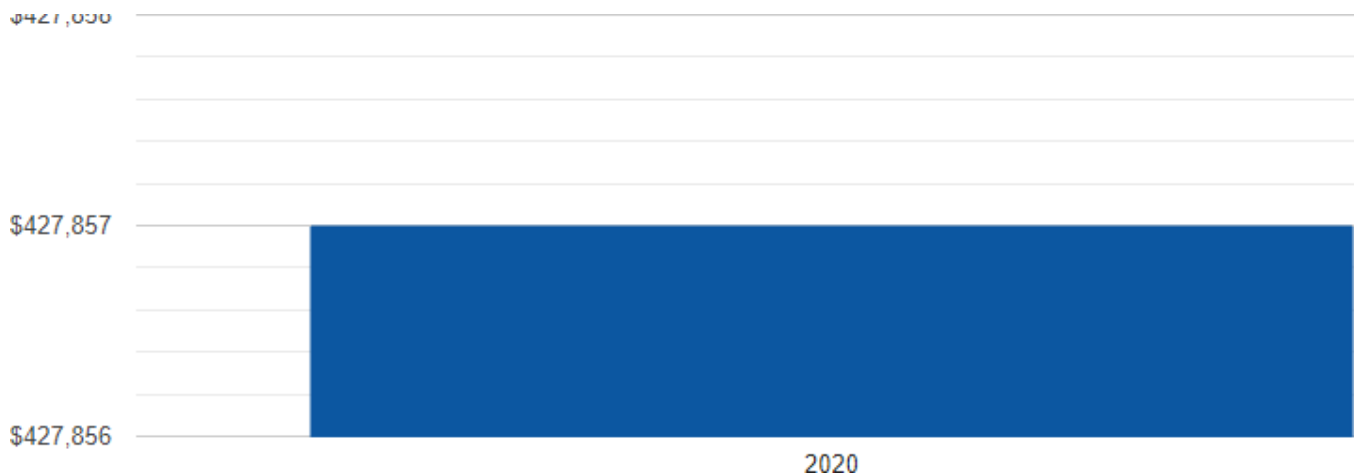
Maine voters approved an initiative regulating marijuana for adults’ use in November 2016, but sales did not begin until October 9, 2020. Data for tax revenue from wholesale taxes has not yet been made available.

The state’s legalization law divides cannabis tax revenue into two funds, one to support public health initiatives and the other for public safety and law enforcement training.

²² See the “Cannabis” tab of the reports linked on this webpage:
<https://www2.illinois.gov/rev/research/taxstats/CollectionsComptroller/Pages/default.aspx>

Year	Estimated State Sales Tax Revenue from Adult-Use Cannabis ²³
Oct. 2020 – Dec. 2020	\$427,857
Jan. – April 2021	\$1,312,730
Total	\$1,740,587

Estimated State Sales Tax Revenue from Adult-Use Cannabis (Partial Revenue, Does Not Include Wholesale Tax)



Vermont (pop. 620,000) | Tax rate: 14% excise tax on sales; 6% standard sales tax

On October 7, 2020, Gov. Phil Scott (R) allowed S. 54 to go into law without his signature. The law will legalize, regulate, and tax cannabis sales for adults’ use. The legislature and governor had legalized personal possession and cultivation only in 2018. Regulated sales are scheduled to begin on May 1, 2022.

Vermont’s law requires that cannabis tax revenue be “used to fund a grant program to start or expand afterschool and summer learning programs, with a focus on increasing access in underserved areas.”

Arizona (pop. 7.3 million) | Tax rate: 16% excise tax on sales; 5.6% standard transaction privilege tax

Arizona voters approved an initiative regulating marijuana for adults’ use on November 3, 2020. Sales from existing medical cannabis businesses began on January 21, 2021. We do not yet have revenue figures.

²³ <https://www.maine.gov/dafs/omp/open-data/adult-use>

After regulatory and enforcement costs are paid, Arizona's law distributes a third of the cannabis tax revenue to community colleges, along with 10% to public health and criminal justice programs.²⁴

Montana (pop. 1.1 million) | Tax rate: 20% excise tax on sales

Montana voters approved an initiative regulating marijuana for adults' use on November 3, 2020. Sales have not begun yet.

The legalization implementation bill signed by the governor in May 2021 directs cannabis revenue to substance abuse recovery programs, conservation efforts, and services for veterans and their families.

New Jersey (pop. 8.9 million) | Tax rate: 6.625% standard sales tax, 1-2% local option taxes; fluctuating excise fee based on average sale price

On November 3, 2020, more than two-thirds of New Jersey voters approved a constitutional amendment directing the legislature and the Cannabis Regulatory Commission to regulate cannabis for adults' use. Sales have not yet begun.

In March 2021, lawmakers approved twin bills to implement the amendment. In addition to the standard sales taxes and local cannabis taxes, New Jersey's law imposes excise fees on sales from cultivators, which regulators can adjust each year. The cultivation excise fees would start at one-third of one percent of average retail sales prices. Beginning nine months after adult-use sales begin, and every year thereafter, the Cannabis Regulatory Commission could revise the fees, with fees increasing as the average retail price of cannabis drops. The Commission could levy excise fees at the following rates:

- up to \$10 per ounce when average retail prices per ounce are \$350 or higher;
- up to \$30 per ounce when average retail prices per ounce are at least \$250 but less than \$350;
- up to \$40 per ounce when average retail prices per ounce are at least \$200 but less than \$250; and
- up to \$60 per ounce when average retail prices drop below \$200 per ounce.

Taxes from New Jersey's legal cannabis market will largely support goals to promote social equity. The law requires 70% of cannabis revenues to provide economic assistance and services to "impact zones," which are areas of the state disproportionately affected by prior enforcement of cannabis criminalization laws.

South Dakota (pop. 884,000) | Tax rate: 15% excise tax on sales; 4.5% standard sales tax

South Dakota voters approved an initiative regulating marijuana for adults' use on November 3, 2020. Sales have not begun yet.

After South Dakota voters approved the constitutional amendment, Highway Patrol Superintendent Rick Miller and Pennington County Sheriff Kevin Thom sought to overturn the measure in court on behalf of Gov. Kristi Noem. They argued the voter-enacted law should be thrown out under the single subject rule and claimed it was a revision not an amendment to the constitution. A circuit court judge sided with the

²⁴ <https://www.azleg.gov/jlbc/20novI-23-2020fn730.pdf>

challenge. Proponents, who believe the judge is mistaken and the law should remain in force, have appealed to the Supreme Court, which heard oral arguments in late April 2020.

If Amendment A survives the legal challenge, it will direct 50% of adult-use cannabis tax revenue into public schools, after accounting for administrative and regulatory costs.

New York (pop. 19.5 million) | Tax rate: 9% marijuana sales tax; 4% local sales tax; for distributors, a potency tax on THC of \$0.005/mg for flower, \$0.008/mg for concentrates, and \$0.03/mg for edibles

On March 31, 2021, Gov. Andrew Cuomo signed legislation (S.854-A/A.1248-A) legalizing cannabis for adults in New York. Sales have not yet begun.

After regulatory and administrative costs, 40% of cannabis revenue will go to community reinvestment grants, 20% will go to public schools, and 40% will support drug treatment and public health programs.

New Mexico (pop. 2.1 million) | Tax rate: 12% retail excise until July 1, 2025, which then increases by one percentage point per year, maxing out at 18% on July 1, 2030; 5.125% to 8.6875% gross receipts tax (which varies depending on the location in the state)

New Mexico's Cannabis Regulation Act legalizes and regulates cannabis for adults 21 and older. It passed the legislature on March 31, 2021 during a special session called for that purpose by Gov. Michelle Lujan Grisham. Gov. Grisham signed the bill on April 12, 2021. Sales have not yet begun.

Much of the cannabis excise tax revenue will go to the municipal governments where sales take place. Future budget bills will include additional revenue distribution. They are expected to include funding for community reinvestment.

Virginia (pop. 8.5 million) | Tax rate: 21% retail sales tax; 6% standard sales tax; optional local sales tax up to 3%

On April 7, 2021, the Virginia General Assembly voted to approve amendments proposed by Gov. Ralph Northam that will make the adult-use legalization law take effect on July 1, 2021.

After covering regulatory costs, cannabis tax revenue will be allocated to pre-K education for at-risk children (40%); a Cannabis Equity Reinvestment Fund (30%); substance abuse treatment and prevention (25%); and public health programs (5%).