



Financial Impact of Legalizing and Regulating Cannabis for Adult Use

Legalizing cannabis for adults brings in large annual surpluses from taxes and fees after accounting for the costs to administer the programs. Mature, adult-use programs have generated as much as \$482 million (Washington) and \$363 million (Colorado) in tax revenues in a single year.[\[1\]](#)

Meanwhile, states annual regulatory costs have been as low as \$1.8 million (in Alaska). Those states with the most rapid implementation — Arizona, Illinois, Nevada, and Oregon — began legal sales in a matter of months, allowing for very rapid generation of revenue.

Application fees vary by state, ranging from \$100 to \$6,000 and are often set to cover regulatory costs. Licensing fees also vary by state and business type (i.e., cultivator, product manufacturer, producer, transporter, testing facility). These fees range from \$9/plant for small grows in Maine to as high as \$850,000 for large Illinois medical cannabis growers transitioning to serve adult-use consumers. Revenues generated from application and licensing fees alone are upwards of \$15 million (in Illinois) and \$13.1 million in Oregon.

Colorado (population 5.6 million)

Colorado legalized marijuana for adults 21 and older when voters approved Amendment 64 in November 2012. On January 1, 2014, the state became the first with legal adult-use sales. Colorado had already developed a medical cannabis regulatory system before adult-use sales began in January 2014. Many businesses were able to transition to having both a medical and an adult-use sales counter. The adult-use marijuana program is regulated through the Marijuana Enforcement Division of the Department of Revenue.

In fiscal year 2019, after deducting regulatory costs, Colorado generated a surplus of more than \$285 million.

Licensing and Fees

As of October 1, 2020, adult-use marijuana business licenses had been issued to 711 cultivation facilities, 598 retail stores, 286 product manufacturers, 11 testing facilities, eight operators, 10 transporters, and three hospitality businesses.[\[2\]](#) Additionally, the following numbers of individual occupational licenses were valid as of October 1, 2020: 1,693 business owner licenses and 39,777 employee licenses.

According to the Department of Revenue's 2019-2020 fee schedule for marijuana businesses, Colorado charges a \$5,000 application fee plus a \$2,000 license fee to obtain a license for an adult-use retail marijuana store. Licenses for new cultivation (Tier 1, 1-1,800 plants) and product

manufacturing businesses each require a \$5,000 application fee plus a \$1,500 licensing fee. There is a \$1,000 application fee plus a \$1,500 licensing fee due to acquire a license as a marijuana testing facility, and a \$1,000 application fee plus a \$2,200 licensing fee to acquire a license as a retail marijuana business operator. Finally, there is a \$1,000 application fee plus a \$4,400 licensing fee to acquire a license as a retail marijuana transporter, and an application fee of \$1,000 and a licensing fee of \$1,000 to obtain a license as a marijuana hospitality business.[\[3\]](#)

Adult-use marijuana business licenses must be renewed each year, with the exception of the retail marijuana transporter license, which is a two-year license.[\[4\]](#) Annual renewal fees are \$1,500 for stores, product manufacturers, labs, cultivators with no more than 500 plants, and research and development. Annual renewal fees are \$2,300 for those cultivating 501-1,500 plants, \$3,500 for 1,501-3,000 plants, and an additional \$800 for each additional 3,000 plants. Biennial renewals for transporters are \$4,400.[\[5\]](#)

Taxation

The Colorado Department of Revenue began reporting adult-use cannabis tax collection data in February 2014, the month after adult-use marijuana sales began.

Colorado levies a 15 percent marijuana excise tax on all sales to consumers of adult-use marijuana, including infused products.[\[6\]](#) This tax rate increased from 10 percent in July 1, 2017, but at the same time, Colorado stopped applying the state's standard 2.9 percent sales tax to adult-use cannabis.

There is also a 15 percent excise tax that is imposed on the first sale or transfer from an adult-use marijuana cultivation facility to a retail store or retail product manufacturing facility.

Regulatory Costs and Revenue

The Marijuana Enforcement Division's ongoing annual budget for FY 2020-21 is \$25,708, 852.[\[7\]](#) According to the Colorado Department of Revenue's 2019 annual report (July 1, 2018-June 30, 2019), adult-use marijuana sales generated \$274 million in tax revenue in FY 2019.[\[8\]](#) Additionally, \$11,874,019 was generated from marijuana licenses and application fees in FY19, including both adult-use and medical marijuana. Thus, after accounting for the regulatory costs of the program, a surplus of roughly \$285.8 million was generated in revenue from taxes and fees.

Tax revenues and surpluses have increased substantially since then. In calendar year 2020, Colorado brought in \$363 million in adult-use taxes, along with \$11.6 million in adult-use and medical licensing fees.[\[9\]](#)

Washington (population 7.4 million)

With voters' enactment of Initiative 502 in November 2012, Washington became one of the first two states, tied with Colorado, to legalize marijuana for adults' use. Washington's first adult-use sales began in July 2014, seven months after they began in Colorado. The Cannabis Licensing Unit of

Washington's Liquor and Cannabis Control Board (WSLCB) processes licensing for cannabis retailers, producers, processors, transporters, and researchers.

In fiscal year 2020, Washington's cannabis fees and taxes generated well over \$450 million after covering the costs of regulating cannabis.

Licensing and Fees

As of May 2020, WSLCB had issued a total of 1,947 marijuana business licenses, including 504 retailers, 17 transporters, 1,205 producers, and 1,275 processors.[\[10\]](#) There is a \$250 application fee to obtain a retail, cultivator, processor, or transport license.[\[11\]](#) Additionally, there are annual fees for license issuance and renewal as follows: \$1,381 for retail, producer, and processor licenses, and a \$1,000 license fee for a marijuana transportation license.

Laboratory fees are \$2,747 for applications. Annual licensing fees vary by year, starting at \$6,192 per year for the first three years, plus per diem and travel fees for an audit. They go down substantially after that.

Taxation and Revenue

For fiscal year 2020, the WSLCB reported \$45.6 million in total operating expenses — for regulating alcohol, tobacco, *and* cannabis — including \$5.4 million for licensing, \$16.6 million for enforcement, and \$23.7 million for general operating expenses.[\[12\]](#)

The Liquor and Cannabis Board administers and collects a 37 percent marijuana excise tax on all taxable sales of marijuana, including marijuana concentrates and marijuana-infused products. The state's standard 6.5 percent sales tax also applies. The Washington State Liquor and Cannabis Board's annual report released for fiscal year 2020 (July 1, 2019-June 30, 2020) reported a total of \$469.2 million in taxes.[\[13\]](#) This was an increase of \$78.8 million from the prior fiscal year.[\[14\]](#) Cannabis license fees brought in an additional \$4.8 million.

Thus, even if one attributed half of the WSLCB's regulatory costs to cannabis,[\[15\]](#) cannabis brought in a surplus of more than \$450 million from taxes and fees in FY 2020. As is the case in Colorado, this does not include local tax revenues.

Appropriations from the surplus included \$213 million to the state Basic Health Account (Medicaid), \$137 million to Washington's General Fund, \$48.6 million to the Washington State Health Care Authority, and \$15 million to local governments.[\[16\]](#)

In FY 2020, Washington State collected significantly more taxes and fee revenue from cannabis than alcohol. In FY 2020, beer, wine, and spirits fees and licensing revenues totaled \$244.5 million, compared to \$473.9 million for cannabis.

Oregon (population 4.1 million)

Oregon voters approved an initiative regulating marijuana for adult use in November 2014, and the first adult-use stores opened October 2016. The legislature allowed medical cannabis dispensaries to sell a limited amount of marijuana (five grams) to adults from October 2015 until December 2016. Those sales were taxed at 25 percent beginning January 4, 2016. The temporary sales program ended January 2017. The state's medical patients can now buy cannabis tax-free from adult-use retail stores. The Oregon Liquor Control Commission (OLCC) is the state agency charged with licensing and regulating the commercial growing and selling of adult-use marijuana stores.

In fiscal year 2019, Oregon's cannabis fees and taxes generated a surplus of roughly \$90 million after covering the costs of regulating cannabis.

Licensing and Fees

The OLCC began accepting applications in January 2016 for all license types — producers, processors, wholesalers, laboratories, and retailers. OLCC issued the first retail license in October 2016. As of March 8, 2021, OLCC reported: 1,260 active producer licenses, 290 active processor licenses, 753 active retail licenses, 205 active wholesaler licenses, 20 active laboratory licenses, and one active research license.[\[17\]](#)

A non-refundable application fee of \$250 is required for all license types. Additionally, license and annual renewal fees are \$4,750 for processors, labs, wholesalers, and retailers. For producers (cultivators), they vary based on tier as follows: Micro tier 1 — \$1,000, Micro tier 2 — \$2,000, Tier 1 — \$3,750, Tier 2 — \$5,750.[\[18\]](#) There is no numerical limit to the number of licenses that OLCC may issue, but on September 1, 2019, the OLCC paused processing new producer applications as an implementation of [Senate Bill 218](#).

Taxation

The legislature revised the rate and method of taxation from the voter initiative, setting the base tax rate at 17 percent at retail. There are provisions under certain circumstances for cities and counties to add up to an additional two percent tax. In addition, the retailer can retain two percent of the tax covered to cover their expenses.[\[19\]](#)

The last three months of 2016 were particularly complex in terms of taxation. For the last quarter of 2016, there were two different tax rates in effect; once an adult-use business received a license from OLCC, the 17 percent tax rate was applicable, whereas if the business was still operating as a medical dispensary under Oregon Health Authority, the tax rate remained at 25 percent for recreational consumers.[\[20\]](#)

In fiscal year 2019, the Oregon Department of Revenue reported \$102,094,948 in state marijuana tax revenue.[\[21\]](#)

After deducting the state's administrative costs, state revenue from marijuana tax is distributed as follows — 40 percent to the Common School Fund; 20 percent to mental health, alcoholism, and drug

services; 15 percent to state police; 10 percent to cities for enforcement of the measure; 10 percent to counties for enforcement of the measure; and five percent to the Oregon Health Authority for alcohol and drug abuse prevention.[\[22\]](#)

Regulatory Costs and Revenue

During FY 2019, the OLCC reported about \$25 million in administrative costs for the program, including administration, licensing, and regulation.[\[23\]](#) Meanwhile, \$13.1 million was generated from licensing fees, including initial application fees, annual license fees, fees for packaging and labeling approval, and marijuana worker permit fees.[\[24\]](#) After accounting for costs to administer the program, there was a surplus of roughly \$90 million generated from tax revenue and fees.

Alaska (population 0.7 million)

Alaska voters approved an initiative to regulate marijuana for adults' use in November 2014, making Alaska tied for third to legalize cannabis for adult-use. The state's first adult-use stores opened in October 2016. The Marijuana Control Board of the state's Department of Commerce, Community, and Economic Development is responsible for licensing and regulating the adult-use marijuana program.

In fiscal year 2019, Alaska's cannabis fees and taxes generated roughly \$18 million after covering the costs of regulating cannabis.

Licensing and Fees

Application fees are set at a \$1,000 fee for a new application, \$1,000 fee for transfer applications, and \$600 for renewal applications. Annual licensing fees are \$5,000 for a standard cultivation facility, retailer, or product manufacturing facility and \$1,000 for a limited marijuana cultivation facility, testing lab, or concentrate manufacturer.[\[25\]](#) As of January 2021, there were 123 standard cultivation facilities, 2,018 limited cultivation facilities, 138 retail stores, four testing facilities, 36 product manufacturing facilities, and nine concentrate manufacturing facilities licensed in the state.

Taxation

The Alaska Department of Revenue's Tax Division collects the marijuana tax from licensed marijuana cultivation facilities. The excise tax on marijuana is \$50 per ounce for any part of the bud and flower and \$15 per ounce for any other part of the plant. Since January 1, 2019, there has also been a rate of \$25 per ounce for bud/flower that is considered to be immature or abnormal. The taxes are collected on transfers from growers to product manufacturers or retailers.[\[26\]](#)

According to the Alaska Department of Revenue, the state collected over \$18 million in excise tax revenue for FY 2019 (July 2018-June 2019).[\[27\]](#)*

The Department of Revenue deposits all revenue from marijuana taxes into the General Fund. Within

the General Fund, a Recidivism Reduction Fund was established, and the Department of Administration separately accounts for 50 percent of the tax collected and deposits it into the Recidivism Reduction Fund.[\[28\]](#)

Regulatory Costs and Revenue

In FY 19 (July 2018-June 2019) \$1,829,900 was allocated to the adult-use cannabis program to pay for staff, travel, services, and other costs.[\[29\]](#) License and application fees generated a total of \$2,061,586 in FY 2019.[\[30\]](#) Thus, after accounting for regulatory costs of the program, a surplus of roughly \$18 million was generated in revenue from taxes and fees that fiscal year.

Nevada (population 3 million)

Nevada voters approved an initiative regulating marijuana for adult use in November 2016. The legislature and governor sped up the timeline for implementation and allowed medical cannabis dispensaries to sell to adults beginning July 1, 2017.

The state Department of Taxation was initially responsible for licensing and regulating both adult-use and medical marijuana businesses. For the first 18 months of the program, only existing medical marijuana establishments could apply for adult-use marijuana establishment licenses.[\[31\]](#) On July 1, 2020, regulatory authority transferred to a new Cannabis Compliance Board.

Licensing and Fees

As of January 2021, Nevada has 151 licensed cultivation facilities, 108 licensed production facilities, 10 licensed testing labs, 78 retail stores, and 47 distributors, for a total of 394 licensed cannabis businesses.[\[32\]](#)

Application fees are \$5,000. Initial licensing fees range from \$10,000 for a product manufacturer to \$30,000 for cultivation. Retailers pay a \$20,000 licensing fee, while labs and transporters pay a \$15,000 licensing fee. Annual renewals range from \$4,300 for product manufacturers to \$10,000 for cultivation facilities.[\[33\]](#)

Taxation

In the state of Nevada, retail marijuana is subject to the following taxes: 15 percent excise tax on wholesale sales paid by the cultivator, 10 percent excise tax on retail sales paid by the retail store, and local retail sales taxes.[\[34\]](#)* The 15 percent excise tax on the wholesale sale is calculated on the Fair Market Value at Wholesale established by the Department of Taxation.

In calendar year 2019, Nevada brought in more than \$107 million in cannabis tax revenue.[\[35\]](#)

Regulatory Costs and Revenue

We have not been able to access recent regulatory costs, perhaps due to the transfer in regulatory authority. However, in fiscal year 17-18, the actual program costs were \$3.2 million, which included the costs for administering both the medical and adult-use programs.[\[36\]](#)

In fiscal year 2020, application fees and licensing fees generated \$5,212,557.[\[37\]](#) Also, during FY 2020, the state collected over \$105 million in marijuana excise tax revenue.[\[38\]](#)

After covering regulatory costs, all revenue goes toward Nevada schools. In prior years, revenue from the 10 percent retail excise tax went to the state Rainy Day Fund.[\[39\]](#)

California (population 39.5 million)

California voters approved an initiative regulating marijuana for adults' use in November 2016. In June 2017, the California Legislature passed SB 94, which integrated the medical and adult-use marijuana programs in the state. Now, a single regulatory system governs both the medical and adult-use cannabis industry. The Bureau of Cannabis Control is charged with the licensing, regulation, and enforcement of the following cannabis businesses: distributors, retailers, micro-businesses, temporary cannabis events, and testing laboratories. The Department of Food and Agriculture is charged with authorizing cultivation licenses, and the Department of Public Health licenses manufactured products. The state's first adult-use stores began to open in January 2018.

Licensing and Fees

As of 2021, the state's three licensing authorities have issued over 10,000 commercial cannabis licenses to cannabis businesses throughout the state of California.

Most application fees are \$1,000. However, cultivation fees range from \$135 (for special outdoor cottage grows) to \$8,655 (for medium outdoor grows), and some product manufacturer fees are only \$500.

Most annual licensing fees are determined based on an estimate of the maximum dollar value of the planned operation. For example, a retailer with an estimate of up to \$750,000 in planned operations costs will pay a \$4,000 licensing fee.[\[40\]](#) Fees for retailers can go as high as \$120,000, while cultivation fees can range from \$2,000 to \$75,000, depending on gross revenue. Distributor fees can be the highest — at \$200,000 for those with the most gross revenue.

Taxation

Cannabis (including medicinal and adult-use) is subject to a cultivation tax rate of \$9.65 per dry-weight ounce of cannabis flowers, \$2.87 per dry-weight ounce of cannabis leaves, and \$1.35 per dry ounce of fresh cannabis plant.[\[41\]](#) (Those precise amounts can change by year.)

There is also a cannabis excise tax that is 15 percent of the average market price at the point of retail sale. In addition, there is a 7.25 percent standard sales tax rate, and local sales taxes also apply.

Regulatory Costs and Revenue

From the period of July 1, 2019 through May 2020, the Bureau of Cannabis Control reported \$33,543,000 in regulatory and administrative costs for the program.[\[42\]](#) During that time, \$28,282,000 was generated from licensing and fees.[\[43\]](#)

In the first three quarters of 2020, California generated \$778.4 million in cannabis tax revenue, putting it on track to generate over a billion in tax revenue for the year.[\[44\]](#)

Massachusetts

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. A new commission was created — Massachusetts Cannabis Control Commission — that led to slower implementation than in most states.

Licensing and Fees

The Cannabis Control Commission offers a wide range of license types, including cultivators, craft marijuana cooperatives, product manufacturers, retailers, research facilities, independent testing laboratories and standards testing laboratories, transporters, and microbusinesses. As of May 2020, the commission had awarded 382 licenses, including 151 marijuana retailers, 118 cultivators, 95 product manufacturers, 10 microbusinesses, three independent testing laboratories, three marijuana transporters with other existing marijuana establishment licenses, one craft marijuana cooperative, and one third-party marijuana transporter.[\[45\]](#)

Application fees range from \$100-\$600 for a cultivator (depending on the tier); the same application fee applies for a cooperative and also includes a \$100-\$200 fee for an added location. The application fee for all other license types is \$300.[\[46\]](#)

Licensing fees for a cultivation license range from \$1,250-\$12,500 (based on canopy size and indoor vs. outdoor), and craft cooperatives include an added \$625 or \$1,250 fee for an additional location. Manufacturing, independent testing laboratory, retail, third-party transporter, and existing licensee transporter licensing fees are each \$5,000. Additionally, there is a \$1,000 licensing fee for a research laboratory license, and microbusinesses require 50% of all applicable fees.[\[47\]](#)

Taxation

The Massachusetts Department of Revenue collects taxes on the sale of adult-use marijuana by licensed facilities. Adult-use marijuana is subject to a 6.25% state sales tax, a 10.75% state excise tax, and up to a 3% local option tax for cities and towns.[\[48\]](#)

Regulatory Costs and Revenue

In FY 2019, the Cannabis Control Commission reported \$9.7 million in regulatory and administrative costs for the program.[\[49\]](#) Revenue from licensing and application fees generated \$8.7 million.[\[50\]](#) In 2019, the first full year of adult-use sales in Massachusetts, the state generated more than \$75 million in state tax revenue.[\[51\]](#) After accounting for costs for administrating the program, a surplus of \$74 million was generated from cannabis taxes and fees.

Meanwhile, in the first 10 months of 2020, cannabis sales netted an estimated \$91.6 million, putting Massachusetts on track to generate around \$100 million in tax revenue.

Michigan

Michigan voters approved an initiative to legalize and regulate marijuana for adults' use in November 2018. Sales began in December 2019. The Marijuana Regulatory Agency (MRA) regulates the state's adult-use marijuana establishments and licensees. On July 3, 2019, the Marijuana Regulatory Agency (MRA), within Michigan's Department of Licensing and Regulatory Affairs (LARA), published regulations to steer the implementation of the 2018 voter-approved law that legalized marijuana for adults 21 and older. These temporary rules, signed by Gov. Gretchen Whitmer, remained in effect until July 3, 2020.[\[52\]](#)

Licensing and Fees

The MRA issues the following license types: class A marihuana grower, class B marihuana grower, class C marihuana grower, excess marihuana grower, marihuana microbusiness, marihuana processor, marihuana retailer, marihuana secure transporter, marihuana safety compliance facility, marihuana event organizer, and designated consumption establishment.

The application fee for all licenses, unless otherwise waived or exempted, is \$6,000. Licensing fees are as follows:

License Type	Initial Licensure Fee	Renewal Fee
Class A Marihuana Grower	\$4,000	Bottom 33% - \$3,000 Middle 33% - \$4,000 Top 33% - \$5,000
Class B Marihuana Grower	\$8,000	Bottom 33% - \$6,000 Middle 33% - \$8,000 Top 33% - \$10,000
Class C Marihuana Grower	\$40,000	Bottom 33% - \$30,000 Middle 33% - \$40,000 Top 33% - \$50,000
Excess Marihuana Grower	\$40,000	Bottom 33% - \$30,000 Middle 33% - \$40,000 Top 33% - \$50,000

Marihuana Microbusiness	\$8,000	Bottom 33% - \$6,000 Middle 33% - \$8,000 Top 33% - \$10,000
Marihuana Processor	\$40,000	Bottom 33% - \$30,000 Middle 33% - \$40,000 Top 33% - \$50,000
Marihuana Retailer	\$25,000	Bottom 33% - \$20,000 Middle 33% - \$25,000 Top 33% - \$30,000
Marihuana Secure Transporter	\$25,000	Bottom 33% - \$20,000 Middle 33% - \$25,000 Top 33% - \$30,000
Marihuana Safety Compliance Facility	\$25,000	Bottom 33% - \$20,000 Middle 33% - \$25,000 Top 33% - \$30,000
Marihuana Event Organizer	\$1,000	\$1,000
Temporary Marihuana Event	See Rule 63	N/A
Designated Consumption Establishment	\$1,000	\$1,000

As of September 30, 2020, 409 licenses had been issued.^[53] A breakdown of licenses issued by type includes: 11 Class B growers, 124 Class C growers, 17 excess growers, 33 processors, 179 retailers, 68 delivery services, 19 secure transporters, six safety compliance facilities (labs), one microbusiness, and 14 event organizers.

Taxation

There is a 10 percent retail tax on all marijuana products sold by retailers and microbusiness, and the state's standard six percent sales tax also applies.

In the first 13 months of legal sales, from December 2019 through December 2020, Michigan brought in an estimated \$82.8 million in tax revenue from cannabis taxes.^[54] In five of the last six months of 2020, estimated tax revenues were well over \$9 million per month.

Regulatory Costs and Revenue

Between when sales began in December 2019 and April 2020, the Marijuana Regulatory Agency reported \$2.3 million in costs for administering the adult-use licensing program.^[55]

While an annual report has not been released since adult-use sales began, monthly reports on licensing revenue and regulatory expenditures are available. The December 2020 report shows \$389,700 in application fees collected that month, along with \$1,158,256 in regulatory assessment fees and \$1,163,500 in renewal fees — for a total of \$2.71 million in adult-use cannabis business fees collected. Also in December 2020, the reported costs of administering the adult-use regulatory program — including employee wages, benefits, materials, and all other costs — totaled \$479,049.60.

This suggests licensing, renewal, and application fees are generating far more than it costs to

regulate the program, leaving all of the tax revenue — and some of the fees — as revenue.

Illinois

In 2019, Illinois became the 11th state to legalize cannabis for adult use, and the first in the country to adopt a regulatory system for cannabis cultivation, testing, and sales through a state legislature. Sales began on January 1, 2020.

The Illinois Department of Financial and Professional Regulation is charged under the Cannabis Regulation and Tax Act with implementing and administering multiple aspects of the program, including the licensing and oversight of dispensing organizations, dispensary agents, and agent education providers.[\[56\]](#)

Licensing and Fees

Early approval adult-use license fees for existing medical cannabis business license holders include: a permit fee of \$100,000 for cultivation organizations and a \$30,000 permit fee for dispensing organizations. Licensing fees for new entrants into the market include: an application fee of \$5,000 and a licensing fee of \$40,000 for both craft growers and processors, an application fee of \$5,000 and a licensing fee of \$10,000 for transporters, and an application fee of \$5,000 and a license fee of \$30,000 for dispensaries.[\[57\]](#)

In addition, medical businesses converting to adult use have to pay hefty fees into a social equity licensing start-up fund. These fees can run as high as \$850,000+ for cultivators making substantial profits.

As of June 2020, 58 adult-use dispensary licenses were issued.[\[58\]](#) Additional licenses were supposed to be awarded in waves in 2020 and 2021, but litigation has delayed licensing.[\[59\]](#) In fiscal year 2020 (July 2019-June 2020), licensing fees generated a total of \$15,043,100.[\[60\]](#)

Taxation

At the wholesale level, cannabis products are subject to a seven percent tax when they are sold by cultivation centers or craft growers. At the retail level, Illinois takes a unique approach by charging a tax rate based on the potency of the cannabis and the type of product:

- 10% tax applies to cannabis flower or products with less than 35% THC
- 20% tax applies to products infused with cannabis, such as edible products
- 25% tax applies to any product with a THC concentration higher than 35%

The state's regular 6.25% sales tax rate also applies, along with local taxes of up to 3.5%.

In the first nine months of legal sales, Illinois generated \$105.9 million in cannabis tax revenue, not including local taxes.[\[61\]](#)

Regulatory Costs and Revenue

From January to June 2020, regulatory costs for the adult-use cannabis program totaled \$648,158.^[62]

Other States

Six additional states have legalized cannabis for adults' use, but we do not yet have data on revenue and regulatory expenses.^[63]

Voters enacted Maine's legalization law back in 2016, but due to intransigence from then-Gov. Paul LePage, Maine's implementation was greatly delayed. Sales finally began on October 9, 2020.

Vermont became the second state to legalize adult-use sales legislatively on October 7, 2020, when Gov. Phil Scott announced that he would allow S. 54 — the bill to regulate and tax cannabis sales — to become law without his signature. However, legal sales are not scheduled to begin until May 1, 2022.

Voters in Arizona, Montana, and New Jersey all legalized cannabis on November 3, 2020.^[64] Most of the laws will not be fully implemented for some time. However, Arizona became the quickest state to begin legal, adult-use sales — less than three months after passage of the law. Sales began on January 22, 2021. We do not yet have information on finances for its program.

^[1] Washington monthly sales tax data and excise tax estimates based on sales volume are provided here: <https://dor.wa.gov/about/statistics-reports/recreational-and-medical-marijuana-taxes>; State of Colorado, Marijuana Tax and Fee Revenue, December 2020, <https://drive.google.com/file/d/1qNQtb-5EYZyOxujft0Tz7T161TwzCB69/view> (figure omits medical cannabis sales tax); Washington data is from 2019. Sales and tax revenue increased in 2020 in Washington and appear poised to exceed \$550 million, but quarter 4 figures are not available as of this writing.

^[2] Colorado Department of Revenue, MED Resources and Statistics, October 1, 2020, <https://www.colorado.gov/pacific/enforcement/med-resources-and-statistics>

^[3] Colorado Department of Revenue, MED Fees 2019-2020, <https://drive.google.com/file/d/18FiNjspftOZgHjkYr5lEn1AuTJm6m3C8/view>

^[4] *Ibid.*

^[5] *Ibid.*

[6] Colorado Department of Revenue, MED Marijuana Taxes, <https://tax.colorado.gov/marijuana-sales-tax>

[7] Email with Meghan Tanis, Communications Director, MED, <https://drive.google.com/file/d/16AU9zugifbNhybALD4XVdkGzAcNPd1vc/view>

[8] Colorado Department of Revenue, 2019 Annual Report, pg. 29, https://www.colorado.gov/pacific/sites/default/files/2019_Annual_Report_1.pdf

[9] State of Colorado, Marijuana Tax and Fee Revenue Summary, December 2020, <https://drive.google.com/file/d/1qNQtB-5EYZyOxujft0Tz7T161TwzCB69/view>

[10] Washington State Liquor and Cannabis Board Marijuana Dashboard, <https://data.lcb.wa.gov/stories/s/WSLCB-Marijuana-Dashboard/hbnp-ia6v/>

[11] Washington State Liquor and Cannabis Board Marijuana Licensing, <https://lcb.wa.gov/mjlicense/marijuana-licensing>

[12] Washington State Liquor and Cannabis Board Annual Report, Fiscal Year 2020, pg. 21, https://lcb.wa.gov/sites/default/files/publications/annual_report/2020_annual-report-final-opt.pdf

[13] Washington State Liquor and Cannabis Board Annual Report, Fiscal Year 2020, pg. 21, https://lcb.wa.gov/sites/default/files/publications/annual_report/2020_annual-report-final-opt.pdf

[14] *Ibid.*

[15] This is an unrealistic overestimate given the vastly larger number of alcohol licenses. The WSLCB reported liquor licensing generated \$15.5 million in fees in FY 2020 along with an active license count of more than 24,000 locations selling alcohol, in addition to another approximately 1,400 wineries, breweries, and distilleries. In contrast, there were only 1,835 active cannabis licenses in FY 2020. (Washington State Liquor and Cannabis Board Annual Report, Fiscal Year 2020, p. 15)

[16] Washington State Liquor and Cannabis Board Annual Report, Fiscal Year 2020, pg. 22, https://lcb.wa.gov/sites/default/files/publications/annual_report/2020_annual-report-final-opt.pdf

[17] Oregon Liquor Control Commission Marijuana License Applications, March 8, 2021, https://www.oregon.gov/olcc/marijuana/Documents/mj_app_stats_by_county.pdf

[18] Oregon Liquor Control Commission FAQs: Licensing - General, <https://www.oregon.gov/olcc/marijuana/Pages/FAQs-Licensing-General.aspx>

[19] Oregon Liquor Control Commission FAQs: Taxes,
<https://www.oregon.gov/olcc/marijuana/Pages/FAQs-Taxes.aspx>

[20] Statistic from Oregon Marijuana Tax Returns, Calendar year 2016, pg. 2,
https://www.oregon.gov/DOR/programs/gov-research/Documents/marijuana-tax-report_2016.pdf

[21] Oregon Marijuana Tax Statistics: Accounting Information, Oregon Department of Revenue Research Section, March 20, 2020,
<https://www.oregon.gov/DOR/programs/gov-research/Documents/Financial-reporting-receipts-public.pdf>

[22] Oregon Liquor Control Commission, Recreational Marijuana FAQs: Taxes,
<https://www.oregon.gov/olcc/marijuana/Pages/FAQs-Taxes.aspx>

[23] Source: Email with Madeline Kane of the Oregon Liquor Control Commission, May 26, 2020.

[24] *Ibid.*

[25] Department of Commerce, Community, and Economic Development, Alcohol and Marijuana Control Office, <https://www.commerce.alaska.gov/web/amco/MarijuanaLicenseApplication.aspx>

[26] Alaska Department of Revenue – Tax Division,
<http://tax.alaska.gov/programs/programs/help/faq/faq.aspx?60000>

[27] Alaska Department of Revenue, 2019 Annual Report,
<http://www.tax.alaska.gov/programs/programs/reports/AnnualReport.aspx?Year=2019#program60000>

*Note: this is for cultivators only (not retail stores).

[28] *Ibid.*

[29] Source: Email with Melissa Walter, Administrative Office of the Alcohol and Marijuana Control Office, May 19, 2020.

[30] *Ibid.*

[31] Marijuana in Nevada, <http://marijuana.nv.gov/Businesses/GettingALicense/>

[32] Cannabis Control Board, Cannabis Establishment Statistics, January 2021,

[https://ccb.nv.gov/media/ - item-3](https://ccb.nv.gov/media/-item-3)

[33] NRS 678B.390

[34] Marijuana in Nevada, <http://marijuana.nv.gov/Businesses/Taxes/>

*Note that medical marijuana or products sold to a patient cardholder are not subject to the 10 percent excise tax.

[35] https://tax.nv.gov/Publications/Marijuana_Statistics_and_Reports/

[36] Source: Email with Stephanie Klapstein, Public Information Office of the Nevada Department of Taxation, December 31, 2018.

[37] Nevada Department of Revenue Marijuana Statistics and Reports, [https://tax.nv.gov/uploadedFiles/taxnv.gov/Content/TaxLibrary/NV-Marijuana-Revenue-FY20\(7\).pdf](https://tax.nv.gov/uploadedFiles/taxnv.gov/Content/TaxLibrary/NV-Marijuana-Revenue-FY20(7).pdf)

[38] *Ibid.*

[39] <https://marijuana.nv.gov/Businesses/Taxes/>

[40] Bureau of Cannabis Control, Text of Regulations, pg. 17, https://www.bcc.ca.gov/law_reggs/readopt_text_final.pdf

[41] California Department of Tax and Fee Administration, <https://www.cdtfa.ca.gov/formspubs/L720.pdf>

[42] Email with Lori Ajax, Chief, Bureau of Cannabis Control, June 9, 2020.

[43] *Ibid.* *These numbers are lower than expected as license renewal fees occurred amidst COVID-19.

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

[45] Cannabis Control Commission, Adult-Use Applications and Licenses, May 27, 2020, <https://opendata.mass-cannabis-control.com/stories/s/Applications-and-Licenses/eteq-dp5h>

[46] <https://mass-cannabis-control.com/wp-content/uploads/2018/04/Guidance-Application-and-License-Fees.pdf>

[47] *Ibid.*

[48] <https://www.mass.gov/service-details/massachusetts-tax-rates>

[49] Email with Shaleen Title, then-Commissioner at CCC, May 27 2020.

[50] *Ibid.*

[51] 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>.

[52] https://www.michigan.gov/documents/lara/Adult_Use_Marihuana_Establishments_659804_7.pdf

[53] Email with Desmond Mitchell, Division Director, Marijuana Regulatory Agency, May 29 2020.

[54] These figures were derived from applying the tax rate to the reported adult-use sales in each monthly report on adult-use sales. See

<https://www.michigan.gov/mra/0,9306,7-386-93032-497635--,00.html>.

[55] Marijuana Regulatory Agency Statistical Report. Note: this number was derived from the sum reported in monthly reports from December 2019-April 2020.

<https://www.michigan.gov/mra/0,9306,7-386-93032-497635--,00.html>

[56] <https://www.idfpr.com/profs/adultusecan.asp>

[57] https://www2.illinois.gov/IISNews/19996-Adult_Use_Cannabis_Summary.pdf

[58] <https://www.idfpr.com/LicenseLookup/AdultUseDispensaries.pdf>

[59] See https://www2.illinois.gov/IISNews/19996-Adult_Use_Cannabis_Summary.pdf

[60] Illinois Comptroller,

<https://illinoiscomptroller.gov/index.cfm/financial-data/state-revenues/by-fund/?FundSel=0912&FundGrpSel=&FundCatSel=&FundTypeSel=&GroupBy=Rev&FY=20&ShowMo=Yes&AgcySel=440&AgcyGrpSel=&AgcyTypeSel=&AgcyCatSel=&RevSel=&RevClsSel=&RevGrpSel=&RevTypeSel=>

[61] <https://www2.illinois.gov/Pages/news-item.aspx?ReleaseID=22203>

[62] Illinois Comptroller,

<https://illinoiscomptroller.gov/index.cfm/financial-data/state-expenditures/by-fund/?GroupBy=Objt&FY=20&ShowMo=Yes&ShowBudg=Yes&ShowLapse=Yes&FundSel=0912&FundGrpSel=&FundCatSel=&AgcySel=440&AgcyGrpSel=&AgcyTypeSel=&AgcyCatSel=&RevSel=&RevClsSel=&RevGrpSel=&RevTypeSel=&Type=A&ObjSel=1910&ObjGrpSel=&ObjCatSel=&ObjTypeSel=&ApprSel=&ApprGrpSel=&ApprTypeSel=&ApprCatSel=&ApprClsSel=>

[63] For information on their licensing fees and tax rates, please see:

<https://www.mpp.org/issues/legalization/breakdown-application-licensing-renewal-fees-adult-use-states/> and <https://www.mpp.org/issues/legalization/breakdown-taxes-adult-use-states/>

[64] On November 3, 2020, South Dakota voters also opted to legalize cannabis, but the initiative was overturned in court.