



Taxing and Regulating Cannabis in Illinois

Cannabis prohibition doesn't work any better than alcohol prohibition did. According to federal researchers, around 750,000 Illinoisans consume as much as 327 metric tons of cannabis each year. Only about 17,000 of those consumers participate in the state's regulated system — the medical cannabis pilot program. Today, criminals run Illinois' nonmedical cannabis industry, serving more than 97% of all the cannabis consumers in the state.¹

House Bill 2353 and Senate Bill 316 would give Illinois a new approach, and it's already working in other parts of the country. These bills would allow adults to purchase cannabis and establish a system to tax and regulate production and sales. Not only would the market be moved into a safer, regulatory framework, Illinois would directly benefit from new tax revenue. We estimate the adult, nonmedical cannabis market would bring in between \$349 to \$699 million in new tax revenue each year, not including licensing or other fees.

Here is how a tax-and-regulate approach would work in Illinois:

- Residents could purchase up to one ounce of cannabis from a licensed store. Non-residents could acquire up to a half-ounce;
- Cannabis would be produced, processed, and sold by licensed facilities. Facilities and financial records would be regularly inspected by state regulators;
- All cannabis sold would be taxed at the state's sales tax of 6.25%, and wholesale transactions would be taxed at a rate of \$50 per ounce;
- All cannabis controlled in the program would be tested for potency, and to ensure it's free from pesticides or other contaminants;
- Businesses would be required to label cannabis products, including test results and product warnings;
- Five types of licenses would be available, including licenses for cultivators, processors, testing labs, retail stores, and regulated, indoor locations where adults could meet and

“Marijuana prohibition is a quagmire that creates far more problems than it prevents. Several states have adopted sensible alternatives to prohibition, and it is time for Illinois to develop its own exit strategy. Regulating marijuana and removing the criminal element from marijuana production and sales will make our communities safer.”

~Rep. Kelly Cassidy

¹ According to the National Survey on Drug Use and Health (NSDUH), 750,000 adults in Illinois reported consuming marijuana in the past month, compared with around 17,000 patients registered in the state's medical cannabis program.

consume away from the general public — with penalties for those who consume in public;

- In addition to licensing and testing requirements, businesses would be subject to comprehensive rules governing security, background checks, packaging, recordkeeping, advertising, locations, signage, and many others;
- Individual adults could cultivate up to five cannabis plants at home. Cannabis could not be removed from the residence and would have to be grown in a secure location, not visible from outside the property, and not accessible to minors;

“Right now, all the money being spent on marijuana is going into the pockets of criminals and cartels. In a regulated system, the money would go into the cash registers of licensed, taxpaying businesses. It would generate hundreds of millions of dollars per year in new revenue for our state. Prohibition is a financial hole in the ground, and we should stop throwing taxpayer dollars into it.”

~ Sen. Heather Steans

- Local communities could restrict or even prohibit businesses from operating within their jurisdictions;

- Regulation means hundreds of millions of dollars in new revenue to the state. Under the bills, 30% would go to education, 10% would be spent on substance abuse treatment, 10% would be used for a public safety campaign on the risks of alcohol, tobacco, and cannabis, and 50% would be allocated to the General Fund;

- Landlords could prohibit the growing or smoking of cannabis at their rentals,

and property owners could prohibit the consumption and display of cannabis on their property;

- Employers would not have to accommodate employees under the influence of cannabis, nor would they have to allow possession of cannabis at work;
- Driving while impaired would remain illegal, and there would be penalties for using a fake ID or falsely misrepresenting age in order to obtain cannabis;
- The system proposed is based on Illinois’ existing medical cannabis pilot program, which would not change under the proposed new law;

Eight states have enacted laws regulating and taxing marijuana for adult use. A February Quinnipiac University poll found 59% of U.S. voters think marijuana should be made legal. Polls conducted by the Pew Research Center and Gallup last October found support at 57% and 60%, respectively. The time is right for the Illinois General Assembly to re-examine marijuana prohibition and consider the potential benefits of a thoughtfully crafted regulatory system.