

## Overview of taxes and use of revenue related to medical marijuana<sup>1</sup>

- Most states<sup>2</sup>, 21 out of 29, that allow medical marijuana impose some type of tax on medical marijuana, most frequently at the point of retail sale. Florida is among them.
- The 21 states that apply a tax on medical marijuana generally follow one of three schemes where taxes are applied to retail sales: (a) apply ordinary sales tax (10 states), (b) apply a special excise tax but exempt ordinary sales tax from medical marijuana (4 states), or (c) apply ordinary sales tax and an additional special excise tax (4 states)<sup>3</sup>.
- Three states either apply tax on growers and processors or apply gross receipts tax.
- In addition, all states that have a commercial market levy fees to cover the cost of regulation (Alaska is currently a grow-your-own state for medical). Most have fees associated with obtaining patient/caregiver registration cards with exceptions for hardship.
- Of the states that apply a tax to medical marijuana, 10 earmark tax revenue for specified purposes including treatment, education, prevention and in two instances for regulation and enforcement.
- At present, Florida is among the states that apply its ordinary sales and use tax to medical marijuana since it is neither a prescription drug or common household remedy that would render it exempt. These revenues currently go into general revenue unallocated.
- The estimating conference currently projects an impact of \$9.5 million based on the two pieces of legislation that are already in place authorizing Charlotte's Web and limited uses of higher THC cannabis<sup>4</sup>.
- This number should grow dramatically under the new amendment in the absence of specific action by the Legislature. The fiscal impact statement provided to voters on the ballot provides clear indication that this is likely to be the case<sup>5</sup>.
- Some estimate that the medical marijuana industry in Florida could grow to \$1.6 billion in sales<sup>6</sup>. This would generate \$96 million at the state's 6% sales tax rate.
- Advocates for behavioral health and criminal justice reform are proposing that half of the new dollars be deposited into a trust fund established in the Department of Children and Family Services to be used to support treatment and prevention efforts or otherwise earmarked to address documented unmet needs in this area.

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<sup>1</sup> Unless otherwise specified, information obtained from Table of State Medical Marijuana Tax and Revenue produced by the Florida Center to Advance Justice. Contact Jim DeBeaugrine at 850-508-8908 for more information or go to flcaj.org.

<sup>2</sup> Washington D.C. treated as if it were a state for purposes of this summary.

<sup>3</sup> Some states apply sales tax as well as grower/processor tax. Due to glitch in California Prop. 64, medical marijuana may be temporarily exempt from all taxes until 2018.

<sup>4</sup> Florida Revenue Estimating Conference report from 12/20/22016 conference, measures affecting revenue section on SB 1030 from 2014 and HB 307 from 2016. <http://edr.state.fl.us/Content/conferences/generalrevenue/grpackage.pdf>

<sup>5</sup> The financial impact statement that appeared on the ballot can be retrieved at [http://edr.state.fl.us/Content/constitutional-amendments/2016Ballot/MedMFIEC\\_75%20words\\_10-21-2015.pdf](http://edr.state.fl.us/Content/constitutional-amendments/2016Ballot/MedMFIEC_75%20words_10-21-2015.pdf)

<sup>6</sup> See Arcview Market Research report at <http://www.marketwired.com/press-release/new-report-florida-marijuana-sales-to-top-16-billion-by-2020-2180974.htm>