

Cannabis, Taxes, and the Black Market

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The best way to maximize revenue and increase public safety is to create an environment where consumers choose the licensed, regulated, and taxed businesses over the black market. If the tax burden on regulated cannabis businesses is too high, the black market will continue to dominate the sale of cannabis in Colorado, decreasing both revenue and public safety.

The Black Market

The black market operates in homes in nearly every community across our state, creating greater risks of *fires, home invasions, and illegal sales to minors*. The black market is entrenched, long standing, decentralized, and extremely difficult to control. It does not pay taxes, insurance, benefits, or fees, and is thus at a substantial economic advantage to the regulated market.

Controlled Commercial Cannabis Businesses

Medical marijuana businesses are likely the most taxed industry in the United States, often having a *total tax liability above 60%*. Regulated cannabis businesses pay local and state sales tax, payroll tax, work comp, application, licensing, and renewal fees, and state and federal income tax (Note: they are denied normal business tax deductions for rent, payroll, etc).

Revenue - \$60 million in new revenue and savings for Colorado

The Colorado Center on Law and Policy (CCLP) published a report showing “Amendment 64 would produce **\$60 million in new revenue and savings for Colorado.**” The report did not include new revenue from tourism, and assumed only modest growth in sales.

- **Fees:** The Task Force recommended that licensing fees be set to fully fund implementation of Amendment 64. In 2010, the state collected nearly **\$10 million** in medical marijuana application fees.
- **Sales Tax:** The CCLP estimated \$8.7 million in *new* state sales tax revenue. Medical marijuana brought in \$5.5 million in 2011. Total: nearly **\$15 million** in sales tax.
- **Excise Tax:** Using conservative estimates of growth, CCLP estimated **\$24 million**.
- **Savings:** In 2013, Colorado will save **\$12 million** due to reduced criminal costs, with the annual savings rising toward **\$40 million**.
- **Income and Payroll Taxes:** Unknown, but significant.

Taxes at the End of Alcohol Prohibition

The **Roosevelt administration** articulated the need to keep “*the tax burden on legal alcoholic beverages comparatively low in the earlier post prohibition period in order to permit the legal industry to offer more severe competition to its illegal competitor. When that competitor has been driven from business, the tax burden could be gradually increased.*”

We should mimic the successful strategy of our forefathers