Marijuana Revenue in Colorado’s State Budget

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Nashville, Tennessee
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History of Marijuana Legalization in Colorado

2010

• Medical marijuana legalized
• Regulatory structure

2012

Amendment 64 passes legalizing retail marijuana sales in 2014

• Dedicates $40 million of a 15% excise tax to school construction
• Proposition AA approved with up 15% excise tax and 15% special sales tax
## Tax Structure in Colorado

<table>
<thead>
<tr>
<th></th>
<th>Retail Marijuana</th>
<th>Medical Marijuana</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Sales Tax (2.9%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Excise Tax (15.0%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Special Sales Tax (15.0%)</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Article 28.8 of Title 39, C.R.S.
How much revenue does Colorado receive?

Colorado Tax Revenue from Marijuana

FY 2013-14 through FY 2018-19

$262.2 million

2.9% Sales Tax
Excise Tax
Special Sales Tax

Source: Colorado Department of Revenue.
How is this revenue distributed?

**Medical Marijuana**
- 2.9% Sales Tax
- Marijuana Tax
  - 71.85% Cash Fund

**Retail Marijuana**
- 15% Special Sales Tax
- General Fund
  - 90%
    - 15.56% Retained
  - 12.59%
    - State Public School Fund
- 10%
  - Local Governments that Allow Retail Sales
- 15% Excise Tax
  - BEST Fund

Source: Article 28.8 of Title 39, C.R.S.
And where does it go?

Marijuana Tax Revenue Distribution

**FY 2018-19**

- **K-12 Education**
  - $99.1M
  - School funding (49.9%) $48.8M
  - School Construction (50.1%) $50.3M

- **Human Services**
  - $43.4M

- **Public Health & Environment**
  - $27.7M

- **General Fund**
  - $27.0M

- **Local Affairs**
  - $21.6M

- **Public Safety**
  - $3.8M

- **Local Governments**
  - $19.3M

- **Higher Education**
  - $3.1M

- **Other Agencies**
  - $11.0M

Source: Colorado Joint Budget Committee Staff, Article 28.8 of Title 39, C.R.S.
## Other revenue sources

### FY 2017-18

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Income Tax</td>
<td>$6,957,330,741</td>
<td>49.8%</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>$3,278,833,329</td>
<td>23.5%</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>$736,021,976</td>
<td>5.3%</td>
</tr>
<tr>
<td>Fuel and Transportation Taxes</td>
<td>$658,463,068</td>
<td>4.7%</td>
</tr>
<tr>
<td>Insurance Taxes</td>
<td>$320,690,958</td>
<td>2.3%</td>
</tr>
<tr>
<td>Motor Vehicle Registrations</td>
<td>$280,279,899</td>
<td>2.0%</td>
</tr>
<tr>
<td>Marijuana Tax Revenue</td>
<td>$251,861,979</td>
<td>1.8%</td>
</tr>
<tr>
<td>Business Licenses and Permits</td>
<td>$217,610,865</td>
<td>1.6%</td>
</tr>
<tr>
<td>Court and Other Fines</td>
<td>$205,081,739</td>
<td>1.5%</td>
</tr>
<tr>
<td>Other Charges For Services</td>
<td>$174,694,529</td>
<td>1.3%</td>
</tr>
<tr>
<td>Severance Taxes</td>
<td>$132,827,140</td>
<td>1.0%</td>
</tr>
<tr>
<td>Gaming and Other Taxes</td>
<td>$106,395,385</td>
<td>0.8%</td>
</tr>
<tr>
<td>All Other Sources</td>
<td>$99,256,253</td>
<td>0.7%</td>
</tr>
<tr>
<td>Interest and Investment Income</td>
<td>$80,174,329</td>
<td>0.6%</td>
</tr>
<tr>
<td>Health Service Fees</td>
<td>$79,435,462</td>
<td>0.5%</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td>$70,689,094</td>
<td>0.5%</td>
</tr>
<tr>
<td>General Government Service Fees</td>
<td>$70,193,136</td>
<td>0.4%</td>
</tr>
<tr>
<td>Rents and Royalties</td>
<td>$60,113,530</td>
<td>0.4%</td>
</tr>
<tr>
<td>Tobacco Products Tax</td>
<td>$50,982,520</td>
<td>0.3%</td>
</tr>
<tr>
<td>Fiduciary Income Tax</td>
<td>$48,700,734</td>
<td>0.3%</td>
</tr>
<tr>
<td>Alcoholic Beverages Tax</td>
<td>$47,250,108</td>
<td>0.3%</td>
</tr>
<tr>
<td>Driver’s Licenses</td>
<td>$45,855,931</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Source: Colorado Department of Revenue, Office of State Comptroller.
Compared with Tobacco and Alcohol

**FY 2017-18**

<table>
<thead>
<tr>
<th></th>
<th>Marijuana</th>
<th>Tobacco</th>
<th>Alcohol</th>
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<tr>
<td>Revenue</td>
<td>$251,861,979</td>
<td>$188,662,025</td>
<td>$47,250,108</td>
</tr>
</tbody>
</table>

**Voter Approved Taxes**

- **Marijuana**
  - 2.9% Sales Tax on medical marijuana

- **Tobacco**
  - 1.0¢ per cigarette
  - Tobacco: 20% of wholesale price

- **Alcohol**
  - Beer/Cider: 8.0¢ per gallon
  - Wine: 13.33¢ per liter
  - Spirits: 60.26¢ per liter

Source: Colorado Department of Revenue, Office of State Comptroller.
Comparisons with Alcohol and Tobacco

Estimated per user taxes

FY 2017-18

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<th>Alcohol</th>
</tr>
</thead>
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<tr>
<td>Tax revenue</td>
<td>$243.5 million</td>
<td>$188.7 million</td>
<td>$47.3 million</td>
</tr>
<tr>
<td>Users in past month</td>
<td>725,000</td>
<td>917,000</td>
<td>2,272,000</td>
</tr>
</tbody>
</table>

Source: Colorado Department of Revenue, Substance Abuse and Mental Health Services Administration.
Monthly Marijuana Sales

Source: Colorado Department of Revenue, Colorado Department of Public Health and Environment.
Calculated Wholesale Rate

Source: Colorado Department of Revenue.
For other states to consider

New businesses and tax compliance
- Compliance is low with new businesses (*Wayfair*)

Maturing markets
- Falling prices, slower growth

Each state will be different
- Medical marijuana
- Regulatory structure
- Initiated measure or passed by legislature
For other states to consider (cont.)

Clear expectations

• How much revenue to expect
• How will it be used

What is the baseline

• What data is available
• How big is the black market
• Does consumption increase
• Does illegal activity decrease
First revenue forecast

Estimate consumption
- Marijuana users (federal substance abuse estimates)
- How much consumption (ounces, grams, edibles)
- Medical marijuana consumption

Estimate prices
- Use medical marijuana prices or other sources
- What level of production (retail or wholesale)

Visitor consumption
- Tourists
- Cross state purchases
Questions?

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