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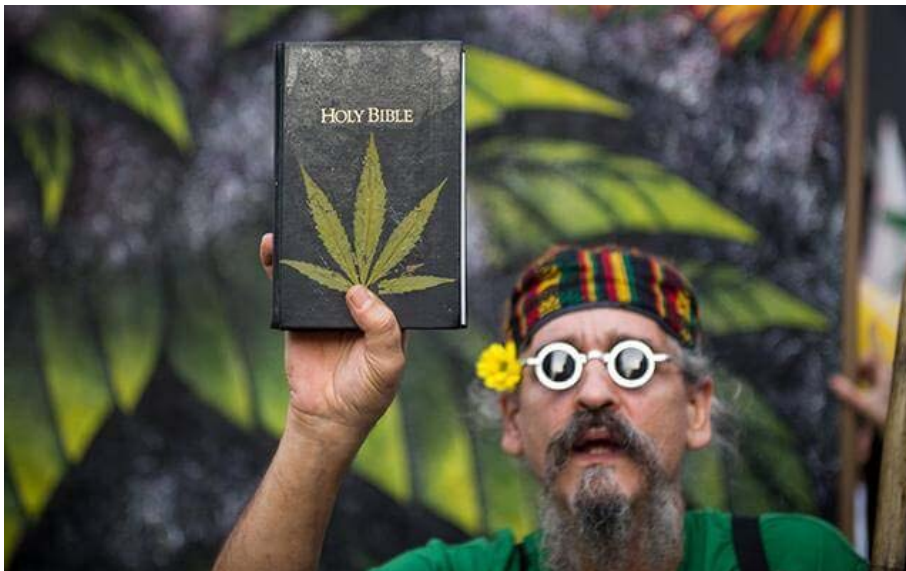
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Marijuana Taxes Swell, Not Up In Smoke After All

Not long ago, Colorado had a disappointing first year of tax collections from marijuana. When one projects one figure, perhaps anything less is a letdown, and the first state to legalize recreational marijuana projected a bonanza. The more skimpy actual numbers lead some to sound the alarm that marijuana taxes were going up in smoke. But now, officials say the [Colorado marijuana tax revenues are up nearly 100%](#).

The report that the pioneer pot state reaped \$44 million in only the first five months of 2015 is a big relief. The same period last year netted the state only \$25 million. The healthy uptick in the numbers will mean copious revenues going into public schools, plus many other dollars added to Colorado's general fund. It seems apparent that this comparative gravy train will fuel other states in assessing taxes on the burgeoning business the crop has become.



Colorado is one of four states that have legalized recreational marijuana despite the continuing federal classification of cannabis as a controlled substance. Many more states have legalized medical marijuana, and with a growing number of states looking to add recreational marijuana, there is no question that taxes play a large part. Colorado has its own tax oddities.

[Colorado's Taxpayer's Bill of Rights](#)—also called [TABOR](#)—requires the state to issue refunds to taxpayers if the state's spending or revenue collections exceed the previous projections. To try to avoid the refund requirement, legislators introduced [HB 15-1367](#), creating a ballot initiative to allow Colorado voters to approve of the state keeping the \$58 million in marijuana revenue. Regardless of whether the ballot initiative passes, Colorado did lower the sales tax on marijuana from 10% to 8% beginning in July 2017. The tax holiday is expected to cost about \$100,000, plus \$3.6 million for a one-day elimination of the 15% excise tax.

If [voters agree](#) to let Colorado spend the tax money, the earmarks are pretty clear. Colorado has already approved [Proposition AA](#), which outlines how marijuana taxes would be spent. If voters vote no, Colorado will have to issue refunds to growers and users. Some would go [via](#) the state's [tiered refund system](#), with \$19.7 million returned to cultivators who pay the 15% wholesale excise tax rate. Plus, on January 1, 2016, the government will reduce the sales tax rate on marijuana from 10% to 0.1% until the reduction in collections equals \$13.3 million or June 30, whichever occurs first.

With all this complexity, the one day September 16, 2015 tax holiday may seem bizarre. It is due to what Gov. Hickenlooper called a “fiscal glitch” with the state constitution. September 16, 2015 was picked because an end-of-year fiscal report is due to be certified the previous day. And the revenue figures are looking better. According to state figures, \$700 million worth of legal cannabis was sold in Colorado in 2014. The tax tally was \$76 million.

2013's proposed [Marijuana Tax Equity Act](#) would end the federal prohibition on marijuana and allow it to be taxed—at a whopping 50%. The bill would impose a 50% excise tax on cannabis sales, plus an annual occupational tax on workers in the [field of legal marijuana](#). Incredibly, though, with what currently amounts to a tax on gross revenues with deductions being disallowed by Section 280E, perhaps it would be an improvement. More recently, Rep. Jared Polis (D-Co.) and Rep. Earl Blumenauer (D-Or.) have suggested a phased 10% rate [here](#), ramping up to 25% in five years.

Yet in New Jersey, Governor Chris Christie has said society should never legalize recreational marijuana even if that would allow you to tax it liberally. He even said [tax revenue from marijuana was blood money](#).

⁶ This should not be permitted in our society, it sends the wrong message,” Christie said. “Every bit of objective data tells us that it's a gateway drug to other drugs.

And it is not an excuse in our society to say that alcohol is legal so why not make marijuana legal. ... Well ... why not make heroin legal? Why not make cocaine legal? You know, their argument is a slippery slope.”

Decrying the concept of legalizing marijuana to raise taxes, Gov. Christie said, “To me, that’s blood money. I’m not going to put the lives of children and citizens at risk to put a little more money into the state coffers, at least not on my watch. As long as I’m governor of New Jersey, there won’t be legalized marijuana in this state.”

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