



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0420 - Generally revise marijuana laws (Hopkins, Mike )

**Status:** As Introduced

- |                                                                  |                                                                  |                                                          |
|------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget        | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	(\$6,248,000)	(\$6,448,000)	(\$6,642,000)	(\$6,843,000)
<b>Revenue:</b>				
General Fund	(\$4,248,000)	(\$4,384,000)	(\$4,516,000)	(\$4,653,000)
State Special Revenue	(\$2,000,000)	(\$2,064,000)	(\$2,126,000)	(\$2,190,000)
<b>Net Impact-General Fund Balance:</b>	<u>(\$4,248,000)</u>	<u>(\$4,384,000)</u>	<u>(\$4,516,000)</u>	<u>(\$4,653,000)</u>

**Description of fiscal impact:** HB 420 would eliminate the tax on medical marijuana, both at the state and local level. This bill is estimated to decrease total marijuana revenue by \$6,248,000 in FY 2024, \$6,448,000 in FY 2025, \$6,642,000 in FY 2026, and \$6,842,000 in FY 2027, with 68% being the general fund revenue, and the remaining state special revenue.

### FISCAL ANALYSIS

**Assumptions:**

1. HB 420 would eliminate the tax on medical marijuana, both at the state and local level. Currently, medical marijuana is subject to a 4% tax at the state level and a local-option tax of up to 3% in counties that elect to impose it. The effective date for this bill is July 1, 2023.
2. The estimates in this fiscal note assume that the intent of this bill is to have medical marijuana cardholders be able to purchase marijuana with no tax, as opposed to having to pay the adult-use marijuana tax rate of 20%. The way the bill is currently written this interpretation is somewhat ambiguous.
3. The HJ 2 forecast for medical marijuana collections, adult-use marijuana collections and license fee revenue are shown in the following table, along with the total forecasted marijuana revenue under current law and with this bill. It is assumed the impact of this bill would be eliminating the forecasted medical marijuana revenue. All revenue amounts are in millions.

Fiscal Year	MM revenue	AUM Revenue	License Fee Revenue	HJ2 Marijuana Revenue	HB 420 Marijuana Revenue
2024	\$6.248	\$42.017	\$4.640	\$52.904	\$46.657
2025	\$6.448	\$43.363	\$4.788	\$54.599	\$48.151
2026	\$6.642	\$44.668	\$4.932	\$56.242	\$49.600
2027	\$6.842	\$46.017	\$5.081	\$57.941	\$51.099

4. The following table shows the current law distribution of the HJ2 marijuana revenue in millions.

HJ2 FY	HJ2 Marijuana Revenue	DOR Costs	Heart Fund	FWP Habitat	State Parks	Trails & Rec	Nongame wildlife	Veterans Account	Crime Control	General Fund
2024	\$52.904	\$5.250	\$6.000	\$8.331	\$1.666	\$1.666	\$1.666	\$0.200	\$0.150	\$27.975
2025	\$54.599	\$5.280	\$6.000	\$8.664	\$1.733	\$1.733	\$1.733	\$0.200	\$0.150	\$29.107
2026	\$56.242	\$5.280	\$6.000	\$8.992	\$1.798	\$1.798	\$1.798	\$0.200	\$0.150	\$30.224
2027	\$57.941	\$5.280	\$6.000	\$9.332	\$1.866	\$1.866	\$1.866	\$0.200	\$0.150	\$31.379

5. The following table shows the projected distribution of marijuana revenue under HB 420 without the tax on medical marijuana in millions.

HB 420 FY	HB 420 Marijuana Revenue	DOR Costs	Heart Fund	FWP Habitat	State Parks	Trails & Rec	Nongame wildlife	Veterans Account	Crime Control	General Fund
2024	\$46.657	\$5.250	\$6.000	\$7.081	\$1.416	\$1.416	\$1.416	\$0.200	\$0.150	\$23.727
2025	\$48.151	\$5.280	\$6.000	\$7.374	\$1.475	\$1.475	\$1.475	\$0.200	\$0.150	\$24.723
2026	\$49.600	\$5.280	\$6.000	\$7.664	\$1.533	\$1.533	\$1.533	\$0.200	\$0.150	\$25.708
2027	\$51.099	\$5.280	\$6.000	\$7.964	\$1.593	\$1.593	\$1.593	\$0.200	\$0.150	\$26.727

6. The following table shows the change in revenue and distributions as a result of this bill in millions.

HB 420 FY	HB 420 Marijuana Revenue	DOR Costs	Heart Fund	FWP Habitat	State Parks	Trails & Rec	Nongame wildlife	Veterans Account	Crime Control	General Fund
2024	(\$6.248)	\$0.000	\$0.000	(\$1.250)	(\$0.250)	(\$0.250)	(\$0.250)	\$0.000	\$0.000	(\$4.248)
2025	(\$6.448)	\$0.000	\$0.000	(\$1.290)	(\$0.258)	(\$0.258)	(\$0.258)	\$0.000	\$0.000	(\$4.384)
2026	(\$6.642)	\$0.000	\$0.000	(\$1.328)	(\$0.266)	(\$0.266)	(\$0.266)	\$0.000	\$0.000	(\$4.516)
2027	(\$6.842)	\$0.000	\$0.000	(\$1.368)	(\$0.274)	(\$0.274)	(\$0.274)	\$0.000	\$0.000	(\$4.653)

7. This bill is estimated to decrease total marijuana revenue by \$6,248,000 in FY 2024, \$6,448,000 in FY 2025, \$6,642,000 in FY 2026, and \$6,842,000 in FY 2027. Of this total estimated revenue decrease, the general fund revenue impact would be a decrease of \$4,248,000 in FY 2024, \$4,384,000 in FY 2025, \$4,516,000 in FY 2026, and \$4,653,000 in FY 2027.

8. The Department of Revenue would not incur significant additional costs because of this bill.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Transfers to General Fund	(\$4,248,000)	(\$4,384,000)	(\$4,516,000)	(\$4,653,000)
Transfers to State Special Fund	(\$2,000,000)	(\$2,064,000)	(\$2,126,000)	(\$2,190,000)
<b>TOTAL Expenditures</b>	<b>(\$6,248,000)</b>	<b>(\$6,448,000)</b>	<b>(\$6,642,000)</b>	<b>(\$6,843,000)</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$6,248,000)	(\$6,448,000)	(\$6,642,000)	(\$6,843,000)
<b>TOTAL Funding of Exp.</b>	<b>(\$6,248,000)</b>	<b>(\$6,448,000)</b>	<b>(\$6,642,000)</b>	<b>(\$6,843,000)</b>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$4,248,000)	(\$4,384,000)	(\$4,516,000)	(\$4,653,000)
State Special Revenue (02)	(\$2,000,000)	(\$2,064,000)	(\$2,126,000)	(\$2,190,000)
<b>TOTAL Revenues</b>	<b>(\$6,248,000)</b>	<b>(\$6,448,000)</b>	<b>(\$6,642,000)</b>	<b>(\$6,843,000)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$4,248,000)	(\$4,384,000)	(\$4,516,000)	(\$4,653,000)
State Special Revenue (02)	\$4,248,000	\$4,384,000	\$4,516,000	\$4,653,000

**Effect on County or Other Local Revenues or Expenditures:**

1. HB 420 would eliminate the local-option medical marijuana tax of up to 3%. There are currently 23 counties that have passed a local-option medical marijuana tax.

**Technical Notes:**

**Department of Revenue and The Office of Budget and Program Planning**

1. The revenue effects presented in this fiscal note are based on HJ 2 revenue projections. The Governor’s budget includes assumptions based on the Governor’s revenue estimates. The following table includes the impact of HB 420 if the Governor’s revenue estimates for cannabis tax are used.

Tax Revenue Change by Fiscal Year Relative to HB 420 using Governor's Revenue Estimates			
Fiscal Year	State Special Change (Millions)	General Fund Change (Millions)	
2024	(\$1.793)	(\$2.447)	
2025	(\$1.116)	(\$2.703)	
2026	(\$1.000)	(\$2.956)	
2027	(\$0.892)	(\$3.193)	

2. Section 1: The definition of “medical marijuana dispensary” should stay. There are medical only dispensaries because of the green/red county and former/non-former distinctions that still would need to be licensed even without a tax on medical marijuana.



3. The bill defines the tax based on the dispensary and not the product or customer which is an issue because medical cardholders are able to buy from adult-use dispensaries, and the way the bill is currently structured they would be subject to the 20% tax on marijuana.
4. Section 2 (1) should be amended as follows to fix the above issue: “For an adult use dispensary, there is a 20% tax on the retail price of marijuana, marijuana products, and live plants SOLD TO CONSUMERS AS DEFINED IN 16-12-102, WITHOUT A VALID REGISTRY IDENTIFICATION CARD.”
5. For the same reason, Section 4 (2) should be amended as follows: “The local-option marijuana excise tax is a tax on the retail value of all marijuana and marijuana products SOLD TO CONSUMERS AS DEFINED IN 16-12-102 WITHOUT A VALID REGISTRY IDENTIFICATION CARD from an adult use dispensary within a county.”
6. Section 5 (3)(a) should be amended as follows, “the rate of the tax, which may not exceed 3% of the retail value of all marijuana and marijuana products SOLD TO CONSUMERS AS DEFINED IN 16-12-102 WITHOUT A VALID REGISTRY IDENTIFICATION CARD from an adult use dispensary.”
7. Section 6 (2)(d)(iii) should keep the reference to “medical marijuana dispensary” for the same reasoning as Section 1.

MI

Sponsor's Initials

2/14/23  
Date

  
Budget Director's Initials

2-13-23  
Date