



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0878 - Revise medical marijuana laws for veterans (Brockman, Tony)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 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>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$2,286,000)	(\$2,359,000)	(\$2,430,000)	(\$2,503,000)
State Special Revenue	(\$1,076,000)	(\$1,110,000)	(\$1,143,000)	(\$1,178,000)
Net Impact-General Fund Balance:	<u>(\$2,286,000)</u>	<u>(\$2,359,000)</u>	<u>(\$2,430,000)</u>	<u>(\$2,503,000)</u>

Description of fiscal impact: HB 878 revises marijuana taxation laws to allow veterans to buy marijuana at the medical marijuana tax rate of 4% instead of the adult-use tax rate of 20%, without having to be a registered cardholder. This bill is estimated to decrease total marijuana revenue by \$3,362,000 in FY 2024, \$3,469,000 in FY 2025, \$3,573,000 in FY 2026, and \$3,681,000 in FY 2027.

FISCAL ANALYSIS

Assumptions:

- Under current law, registered medical marijuana card holders are allowed to purchase marijuana at both medical and adult-use dispensaries at the medical marijuana tax rate of 4%. All other adults may only buy marijuana from adult-use dispensaries at the adult-use tax rate of 20%.
- HB 878 would allow veterans with proof of their veteran status, to buy marijuana from a medical marijuana dispensary or an adult-use dispensary at the current medical marijuana tax rate of 4%. This is expected to reduce marijuana tax collections beginning after the July 1, 2023 effective date of this bill.
- According to the US Census Bureau, approximately 10% of the adult population in Montana are veterans. It is assumed that about 10% of adult-use marijuana sales in Montana are made to veterans and would be subject to the reduces tax rate. The change from a 20% tax to a 4% tax is a reduction in tax of 80% on sales made to veterans, so adult-use marijuana tax collections are estimated to decrease by 8% beginning in FY 2024.

- There may be some shift between medical marijuana tax revenue and adult-use marijuana tax revenue from veterans who currently are registered cardholders not having to remain a cardholder to pay the 4% medical marijuana tax rate. They would still be paying the same tax rate to this shift would not impact total tax collections. Also, the potential decrease in license fee revenue from a reduction in veteran registered cardholders is expected to be minimal.
- The following table shows the current law HJ2 estimates for marijuana tax and license fee collections and estimated collections under HB 878. All revenue amounts are in millions.

Fiscal Year	License Fee Revenue	Medical Marijuana Revenue	HJ2 Adult-Use Marijuana Revenue	HB 878 Adult-Use Marijuana Revenue	HJ2 Marijuana Revenue	HB 878 Marijuana Revenue
2024	\$4.640	\$6.248	\$42.017	\$38.656	\$52.904	\$49.543
2025	\$4.788	\$6.448	\$43.363	\$39.894	\$54.599	\$51.130
2026	\$4.932	\$6.642	\$44.668	\$41.094	\$56.242	\$52.668
2027	\$5.081	\$6.842	\$46.017	\$42.336	\$57.941	\$54.260

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

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

- The following table shows the projected distribution of marijuana revenue under HB 878 in millions.

FY	HB 878									
	Marijuana Revenue	DOR Costs	Heart Fund	FWP Habitat	State Parks	Trails & Rec	Nongame wildlife	Veterans Account	Crime Control	General Fund
2024	\$49.543	\$5.250	\$6.000	\$7.659	\$1.532	\$1.532	\$1.532	\$0.200	\$0.150	\$25.689
2025	\$51.130	\$5.280	\$6.000	\$7.970	\$1.594	\$1.594	\$1.594	\$0.200	\$0.150	\$26.748
2026	\$52.668	\$5.280	\$6.000	\$8.278	\$1.656	\$1.656	\$1.656	\$0.200	\$0.150	\$27.794
2027	\$54.260	\$5.280	\$6.000	\$8.596	\$1.719	\$1.719	\$1.719	\$0.200	\$0.150	\$28.876

- The following table shows the change in revenue and distributions as a result of HB 878 in millions.

FY	HB 878									
	Marijuana Revenue	DOR Costs	Heart Fund	FWP Habitat	State Parks	Trails & Rec	Nongame wildlife	Veterans Account	Crime Control	General Fund
2024	(\$3.361)	\$0.000	\$0.000	(\$0.672)	(\$0.134)	(\$0.134)	(\$0.134)	\$0.000	\$0.000	(\$2.286)
2025	(\$3.469)	\$0.000	\$0.000	(\$0.694)	(\$0.139)	(\$0.139)	(\$0.139)	\$0.000	\$0.000	(\$2.359)
2026	(\$3.573)	\$0.000	\$0.000	(\$0.715)	(\$0.143)	(\$0.143)	(\$0.143)	\$0.000	\$0.000	(\$2.430)
2027	(\$3.681)	\$0.000	\$0.000	(\$0.736)	(\$0.147)	(\$0.147)	(\$0.147)	\$0.000	\$0.000	(\$2.503)

- This bill is estimated to decrease total marijuana revenue by \$3,362,000 in FY 2024, \$3,469,000 in FY 2025, \$3,573,000 in FY 2026, and \$3,681,000 in FY 2027. Of this total estimated revenue decrease, the general

fund revenue impact would be a decrease of \$2,286,000 in FY 2024, \$2,359,000 in FY 2025, \$2,430,000 in FY 2026, and \$2,503,000 in FY 2027.

- 10. This bill is not expected to significantly impact local option tax collections.
- 11. The tax rate changes proposed in this bill would require some changes to be made to the seed-to-sale tracking system and to the tax return form to allow for the 4% tax rate to be charged to all veterans. It is expected that these changes would be able to be made as part of normal maintenance and would not result in significant additional costs to the Department of Revenue.

Department of Military Affairs

- 12. The Montana Veteran Affairs Division (MVAD) within DMA could work in conjunction with the Department of Revenue to establish a process for determining veteran status for dispensaries. This process would be similar to the process established with the Department of Justice Motor Vehicle Division to determine eligibility for veteran designation on a Montana driver’s license.

	<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>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	(\$2,286,000)	(\$2,359,000)	(\$2,430,000)	(\$2,503,000)
State Special Revenue (02)	<u>(\$1,076,000)</u>	<u>(\$1,110,000)</u>	<u>(\$1,143,000)</u>	<u>(\$1,178,000)</u>
TOTAL Revenues	<u>(\$3,362,000)</u>	<u>(\$3,469,000)</u>	<u>(\$3,573,000)</u>	<u>(\$3,681,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$2,286,000)	(\$2,359,000)	(\$2,430,000)	(\$2,503,000)
State Special Revenue (02)	<u>(\$1,076,000)</u>	<u>(\$1,110,000)</u>	<u>(\$1,143,000)</u>	<u>(\$1,178,000)</u>

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 878 if the Governor’s revenue estimates for cannabis tax are used.

Tax Revenue Change by Fiscal Year			
Relative to HB 878 using Governor's Revenue Estimates			
Fiscal Year	State	Special Change	General Fund Change
	(Millions)		(Millions)
2024	\$0.000		(\$6.445)
2025	\$0.000		(\$7.334)
2026	\$0.000		(\$7.595)
2027	\$0.000		(\$7.843)

2. This bill appears to allow veterans without a medical marijuana registration card to purchase marijuana from medical marijuana only dispensaries, which conflicts with other sections of code that only allow medical marijuana dispensaries to sell to registered cardholders. Separating out the 4% tax rate for veterans from the medical marijuana dispensaries, and not amending 15-64-102 (1), MCA, would fix this issue.
3. MVAD recommends “DD form 214” language be removed throughout HB 878 as a dispensary is not qualified to determine veteran status from of a DD form 214.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date


Budget Director's Initials

3-28-23
Date