

Memorandum

To: Revenue Interim Committee

From: Finn McMichael, Tax Policy and Research

Date: September 24, 2021

Subject: Medical Marijuana Tax and License Fee Revenues

Medical Marijuana License Fee Revenue

The number of licenses and amount of license fee revenue has also increased over the last few years, but not as dramatically as sales and tax revenue has. In the first partial year, fiscal year (FY) 2018, total license fee revenue was \$452,320, but then jumped to \$2.23 million in FY 2019, \$2.43 million in FY 2020 and \$2.87 million in FY 2021.

In October 2020, there were 41,335 registered cardholders, 248 approved providers, and 368 dispensary licenses. As of May 2021, there were 40,801 registered cardholders, 281 approved providers, and 415 dispensary licenses. The following table shows the tax revenue (discussed below) and license fee revenue with the cardholder fees broken out.

	Annual Collections w/o Accruals			
	FY 2018	FY 2019	FY 2020	FY 2021
MM Sales Tax	\$1,347,419	\$1,736,598	\$3,181,781	\$6,015,628
MM Cardholder Fees	\$192,590	\$1,064,655	\$1,307,512	\$1,122,778
MM Other License Fees	\$259,730	\$1,163,340	\$1,122,672	\$1,749,721
MM Total License Fees	\$452,320	\$2,227,995	\$2,430,184	\$2,872,499

Medical Marijuana Tax Revenue

Medical marijuana began being taxed at a 4 percent rate beginning July 1, 2017, with collections beginning in October of 2017. The tax rate decreased to 2% from July 1, 2018 to September 30, 2019, and then increased back to 4%, where it has remained since then. Tax collections were about \$1.35 million in FY 2018, and have increased each year, up to over \$6 million in FY 2021. The second page of this memorandum is pulled from the department's monthly revenue monitoring report and shows more details on the medical marijuana tax revenue collections.

Medical Marijuana Sales Tax

Cumulative End-of-Month Collections (\$ million)													
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYE
FY2017													
FY2018	0.000	0.000	0.000	0.391	0.400	0.405	0.798	0.840	0.859	1.296	1.332	1.347	1.347
FY2019	0.458	0.542	0.565	0.850	0.873	0.916	1.181	1.266	1.290	1.624	1.671	1.701	1.737
FY2020	0.364	0.392	0.438	0.846	0.955	1.012	1.754	1.963	2.016	2.729	2.965	3.172	3.182
FY2021	1.063	1.254	1.476	2.713	2.824	2.947	4.097	4.235	4.356	5.768	5.910	5.964	6.016
FY2022	1.472	1.563											

Four Year Average Collection Pattern (FY2017 - FY2021) Percent of FYE Revenue Collected by End of Month													
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYE
Average	15.34%	17.81%	20.19%	39.08%	41.13%	42.99%	63.75%	67.61%	69.38%	92.96%	96.72%	99.21%	100.00%
High	26.35%	31.19%	32.53%	48.97%	50.24%	52.76%	68.10%	72.88%	74.28%	96.18%	98.88%	100.00%	100.00%
Low	0.00%	0.00%	0.00%	26.58%	29.66%	30.04%	55.12%	61.69%	63.36%	85.76%	93.20%	97.92%	100.00%

Fiscal Note Forecast Allocated to Months Using Average Collection Pattern Percentage, Actual Collections and Straight Line Extrapolation from Year-to-Date Collections													
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYE
Fiscal Note Forec	0.923	1.071	1.215	2.351	2.474	2.586	3.835	4.067	4.174	5.592	5.818	5.968	6.016
Actual Collections	1.472	1.563											
% of Fiscal Note	24.46%	25.98%											
Extrapolation			1.772	3.430	3.610	3.773	5.595	5.934	6.089	8.159	8.489	8.707	8.776

Monthly Collections													
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYE
FY2017													
FY2018	0.000	0.000	0.000	0.391	0.009	0.005	0.393	0.042	0.019	0.437	0.036	0.015	0.000
FY2019	0.458	0.084	0.023	0.286	0.022	0.044	0.265	0.085	0.024	0.334	0.047	0.029	0.036
FY2020	0.364	0.028	0.047	0.407	0.110	0.056	0.742	0.209	0.053	0.713	0.237	0.207	0.010
FY2021	1.063	0.191	0.222	1.237	0.111	0.123	1.150	0.138	0.122	1.412	0.142	0.054	0.051
FY2022	1.472	0.091											

