OFFICE OF LEGISLATIVE RESEARCH
Objective Research for Connecticut's Legislature

ResearchReport

State and Local Taxes on Recreational Marijuana

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January 22, 2018 | 2018-R-0034

Issue

Identify the states where recreational marijuana is subject to state and local taxes and describe how the taxes are structured.

Recreational Marijuana Taxes

Eight states impose excise taxes on recreational marijuana sales. Attachment 1 shows each state's marijuana tax rate and base, the entity subject to the tax, and any additional state and local taxes that apply to recreational marijuana sales.

The marijuana excise taxes are based on the product's weight or its price or value. Alaska and California impose flat, weight-based taxes that depend on the part of the plant being sold (e.g., flowers or leaves). The six other states and California tax impose taxes based on a percentage of the product's retail sales price or wholesale value. Nevada, for instance, applies a 15% tax on the marijuana's fair market value at wholesale (determined by its Department of Taxation). Oregon applies a 17% tax on the product's retail sales price.

The taxes apply at either the wholesale (Alaska) or retail (Massachusetts, Maine, Oregon, and Washington) level. California, Colorado, and Nevada apply different taxes to each respective level.

Excise Tax vs. Sales Tax

Excise taxes are taxes imposed on specific goods, such as gasoline or tobacco. They can either be per-unit taxes (e.g., per gallon of gasoline) or ad valorem taxes (e.g., percentage of wholesale price of tobacco products). They are often imposed at the wholesale level, and passed along to consumers as part of the final price.

Sales taxes, on the other hand, apply to most retail purchases, with certain exceptions. They are generally calculated as a percentage of the purchase price and paid by the consumer to the retailer.

In half of the states (California, Massachusetts, Nevada, and Washington), recreational marijuana is also subject to the state's general sales tax. (It is exempt from sales tax in Colorado and Maine; Alaska and Oregon do not impose a state sales tax.)

Additional local taxes apply in all of the states except Maine. Local marijuana excise taxes may apply in municipalities in Alaska, Colorado, Massachusetts, and Oregon. Additional local sales taxes may apply in Alaska, California, Colorado, Nevada, and Washington in jurisdictions imposing such taxes.

Additional Resources

"Issues with Taxing Marijuana at the State Level." Institute on Taxation & Economic Policy. May 2015.

"Marijuana Legalization and Taxes: Lessons for Other States from Colorado and Washington." Tax Foundation. May 2016

Attachment 1 (continued)

State	Marijuana Excise Taxes		Other Applicable Taxes	
	Rate and Base	Wholesale or Retail Level	State Sales Tax	Local Taxes
Nevada	Wholesale marijuana tax: • 15% of fair market value at wholesale (established by Department of Taxation) Retail marijuana tax: • 10% of retail sales price	Wholesale tax is imposed at wholesale Retail tax is imposed at retail	6.85% state sales tax applies	Local sales taxes may also apply
Oregon	17% of retail sales price	Retail	None	Local option marijuana sales tax (of up to 3%) may also apply
Washington	37% of retail sales price	Retail	6.5% state sales tax applies	Local sales taxes apply in certain jurisdictions

Source: Compiled by OLR based on state statutes and tax department websites

*Retail recreational marijuana sales have not yet begun in Massachusetts or Maine

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Attachment 1: State and Local Taxes on Recreational Marijuana

State	Marijuana Excise Taxes		Other Applicable Taxes	
	Rate and Base	Wholesale or Retail Level	State Sales Tax	Local Taxes
Alaska	$50/ounce for any part of the bud and flower and $15/ounce for the remainder of the plant	Wholesale	None	Local option excise taxes apply in certain municipalities, including a (1) 5% marijuana tax in Anchorage, Fairbanks, Fairbanks North Star Borough, and Matanuska-Susitna Borough and (2) $25/ounce tax in Petersburg Borough Local sales taxes may also apply
California	Cultivation tax: • $9.25/ounce of cannabis flowers • $2.75/ounce of cannabis leaves • $1.29/ounce of fresh cannabis plant Excise tax: • 15% of the average market price (generally wholesale cost plus mark-up rate determined by the California Department of Tax and Fee Administration)	Cultivation tax is imposed at wholesale Excise tax is imposed at retail	7.25% state sales tax applies	Local sales taxes may also apply
Colorado	Retail marijuana excise tax: • 15% of the average market rate (determined by the Department of Revenue) or contract price, depending on whether the sale or transfer is between affiliated or unaffiliated parties Retail marijuana sales tax: • 15% of retail sales price	Excise tax is imposed at wholesale Sales tax is imposed at retail	Exempt from 2.9% state sales tax	Local option county and municipal excise taxes (of up to 5%) may also apply Local sales taxes may also apply
Massachusetts*	10.75% of retail sales price	Retail	6.25% state sales tax applies	Local option marijuana sales tax (of up to 3%) may also apply
Maine*	10% of retail sales price (effective 2/1/18)	Retail	Exempt from general 5.5% state sales tax	None