Impact of Cannabis Legalization on Revenue in Massachusetts

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Tax Rates

- 10.75% Excise Tax
- 6.25% Regular State Sales Tax
- 3% Local Option
- Up to 3% Host Community Agreement
Revenue Stream

- Revenue from sales tax goes into the state’s general fund
- Revenue from local option goes directly to city or town
- Revenue from the excise tax goes to special marijuana fund
  - Two Primary Uses
    - Cannabis Control Commission Budget, expenses, salaries, etc.
    - MA Dept. of Agricultural Resources for hemp and pesticide administration
Revenue Stream cont.

- Secondary uses for excise tax that goes to special marijuana fund
  - Substance use treatment and prevention grants for schools and community coalitions
  - Public safety and municipal police training
  - Supplemental funding for state Prevention and Wellness Trust Fund
  - Programming for restorative justice, jail diversion, workforce development, industry specific technical assistance, and mentoring services for economically-disadvantaged persons in communities disproportionately impacted by high rates of arrest and incarceration for marijuana offenses
Revenue Projections

- Inherent difficulty in forecasting when going from an illegal to legal market

- Forecasting number from study done by the MA Dept. of Public Health in June 2018, are based on the assumption 65% of marijuana users will shift from illegal market to dispensaries
Revenue Projections cont.

• For State revenue, not including local tax, from an estimate released by the MA Dept. of Revenue in December 2018, Projected Range
  • $44 million to $82 million with midpoint of $63 million for FY19
  • $93 million to $172 million with midpoint of $132 million for FY20

• Local Revenue Range, projections from DPH from June 2018
  • Local tax revenue for the first 2 years in the most densely populated regions range from $233,498-$2,875,048
  • Suburban communities with lower population density range from $72,835-$582,899
  • $233,498 to $3 million for municipalities in the first 2 years
Current Situation

• Only 2 shops are open right now, one in Central Massachusetts and the other in Western Massachusetts
  • In their first 12 days of operation they generated $4.8 million in gross sales

• Shops in Eastern Massachusetts and the Greater Boston Area are expected to open before the end of the year
Impact on Broader Economy

- People can grow plants at home, 6 for an individual or 12 for household of 2+ adults
  - Positive impact on shops that sell home growth supplies
  - Negative effect on commercial shops
- Cross-border sale to non-Massachusetts residents
- Estimated the new industry will create 20,000 new full-time jobs, both directly and indirectly (numbers from cannabis technology company, Weedmaps)
  - 4,700 working in retail shops
  - 8,700 working in administrative, manufacturing and agricultural jobs
  - 5,800 jobs in companies that service the industry, such as law firms and construction