



## Senate Finance Committee

### S. 241

#### Marijuana Legalization and Regulation

Thank you for the opportunity to testify on S. 241, legislation to legalize and regulate marijuana.

The VLCT membership adopted the following position at the annual meeting last October.

“In any discussion of legalization of marijuana, the legislature should consider the effects on cities, towns and villages. Such consideration should include impacts on local school populations, municipal police, first responders, no smoking ordinances and municipal budgets, Do not expand exemptions to Act 76, Vermont’s 2013 law addressing the possession of small quantities of marijuana”.

We were asked *if* the state did legalize marijuana, what would cities and towns need in order to effectively manage the potential impacts in their communities. We thank the Judiciary and Government Operations Committees for providing assurance that municipalities may issue permits for marijuana establishments and that those permits must be procured before commencing operations. These provisions are in H. 241.

Those committees did not address the issue of revenues. Vermont will be taking an enormous step if it legalizes marijuana, a step that cannot be reversed. The results of that decision will play out on Main Street, where local government officials will need to address underage use, overuse, any relation to the opiate epidemic that already faces our cities and towns, use in public places and adjacent to non-users’ private property, and oversight of permitted facilities. Local governments will need new resources in order to regulate marijuana in accordance with the law that is eventually passed or local ordinances or bylaws. If Vermont did not provide for some revenues to flow to local governments, it would be the only state to deny those resources to municipalities.

In Oregon, municipal voters may adopt a local option tax up to 3 percent. State tax revenue is distributed, 10% to cities / 10% to counties – for enforcement.

Colorado enables a local option tax – between 1% and 15% - voted on by local voters. Of state tax revenue, 15% of marijuana sales taxes are provided to municipalities.

In Washington in 2016-2017, \$6 million will go to cities and counties with licensed facilities. In 2018, the amount distributed, pursuant to a distribution formula, will start to increase. If revenue exceeds \$25 million, 30% of all marijuana excise taxes deposited in the General Fund the prior fiscal year will be distributed to local governments as follows:

30% to cities/towns/counties where retailers are located, based on the retail sales from stores w/in each jurisdiction

70% to cities/towns/counties on a per capita basis – to jurisdiction that do not prohibit the siting of state licensed producers, processors, or retailers.

Local sales taxes may be assessed between 0.5% - 3.1%.

In Alaska a \$50 per ounce excise tax is assessed on the flower and bud, and a portion thereof distributed to local governments. The state splits licensing fees. Local governments can charge additional fees for administration, enforcement and inspection. Local governments have the option of applying local sales tax. Fairbanks Alaska enacted a five percent sales tax, which was also being considered in Anchorage in December, to cover costs of oversight and enforcement. Bethel Alaska enacted a 15 percent sales tax. There are many other Alaska examples.

We recommended the following language, which could be added to 18 VSA Chapter 97 or put in Title 32:

A municipality may impose a local option tax on the sale of marijuana within its boundaries. If a legislative body of a municipality by a majority vote recommends, the voters of municipality may, at annual or special meeting warned for that purpose, by a majority vote of those present and voting, assess a marijuana sales tax not to exceed five percent.

Title 18 Chapter 97, § 4541. MARIJUANA TAX FUND

(b)(3) 15 percent to municipalities with registered retailers in proportion to the amount of marijuana sold by retailers in each municipality during the previous fiscal quarter.

(4) 15 percent to municipalities with registered cultivator in proportion to the amount of marijuana cultivated by cultivators in that municipality during the previous fiscal quarter.

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