

VT CANNABIS FEES AND TAXES

Graham Campbell
Senior Fiscal Analyst, JFO
11/16/2021



Vermont Legislative
JOINT FISCAL OFFICE

Cannabis Tax Revenues

- Passed in S.53 of 2020
- Total state tax rate on retail sales: 20% (plus 1% in LOT towns)
 - *14% state excise tax on the retail sale of cannabis*
 - *6% sales and use tax*
 - *Local option sales tax municipalities would receive extra 1%*
- Revenues from 14% tax dedicated to two funds:
 - *70% to the General Fund*
 - *30% to the Substance Misuse and Prevention Fund*
 - Capped at \$10 million per year
- Fee revenue TBD



JFO Estimates

- Note: These estimates are updated from the S.53 fiscal note using updated data on populations, prevalence and consumption
- Year 3 mature market: Between \$83 and \$153 million in total sales
 - *JFO high: \$246 per capita*
- Heavily dependent upon several factors including:
 - *How long cultivators and retailers need to construct infrastructure*
 - *Fee structure*
 - *Transition from home grow*

JFO Estimates: Total Excise Revenues (in millions)				
State 14% Excise Tax				
	FY22	FY23	FY24	FY25
Low	\$0.0	\$4.2	\$9.0	\$11.7
Mid	\$0.0	\$5.7	\$12.3	\$16.1
High	\$0.0	\$7.6	\$16.4	\$21.5

JFO Estimates: Total Sales Tax Revenues (in millions)				
6% Sales and Use Tax				
	FY22	FY23	FY24	FY25
Low	\$0.0	\$1.8	\$3.8	\$5.0
Mid	\$0.0	\$2.4	\$5.3	\$6.9
High	\$0.0	\$3.2	\$7.0	\$9.2



JFO Estimates

■ General Fund Revenue

General Fund Revenue (in millions)				
70% of Excise Tax Revenue				
	FY22	FY23	FY24	FY25
Low	\$0.0	\$3.0	\$6.3	\$8.2
Mid	\$0.0	\$4.0	\$8.6	\$11.3
High	\$0.0	\$5.3	\$11.5	\$15.1

■ Substance Misuse and Prevention Fund

Substance Abuse and Prevention Fund Revenue (in millions)				
30% of Excise Tax Revenue				
	FY22	FY23	FY24	FY25
Low	\$0.0	\$1.3	\$2.7	\$3.5
Mid	\$0.0	\$1.7	\$3.7	\$4.8
High	\$0.0	\$2.3	\$4.9	\$6.5



Cannabis Control Board Estimates

- Consultant estimated total market demand for cannabis in Vermont.
- Total Market Size (in millions):

Year	2021	2022	2023	2024	2025	2026
Total Non-Medical Retail Sales	\$0	\$10.1	\$103.7	\$221.9	\$231.3	\$209.4

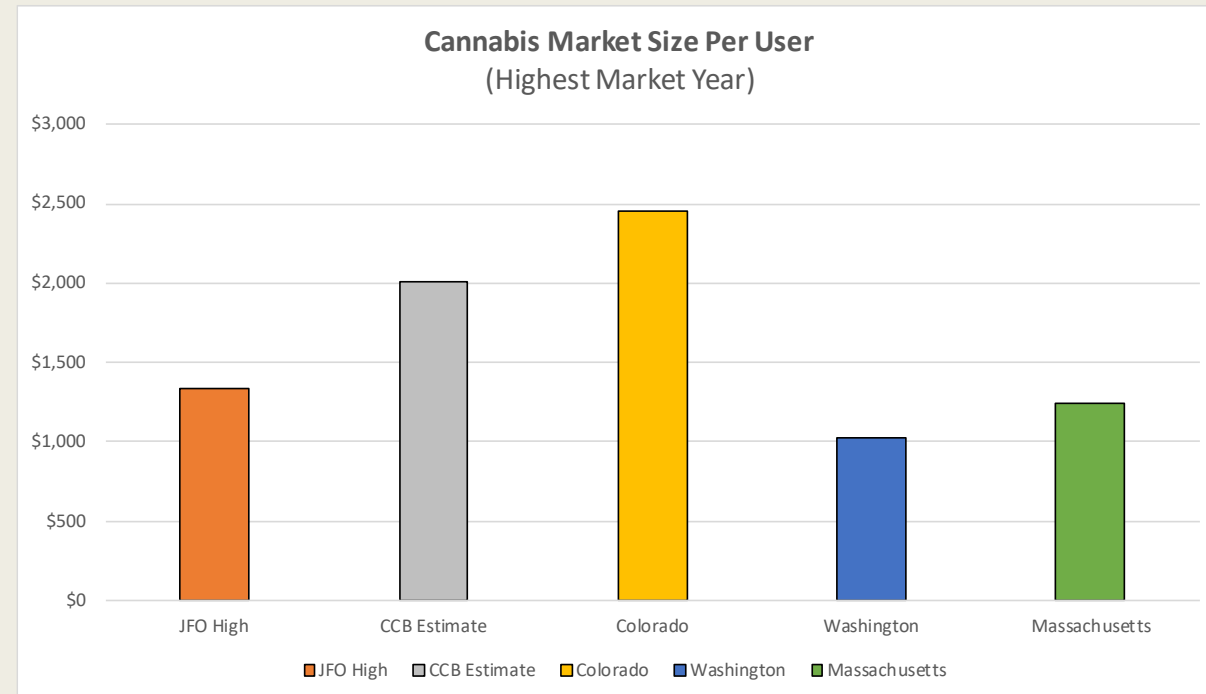
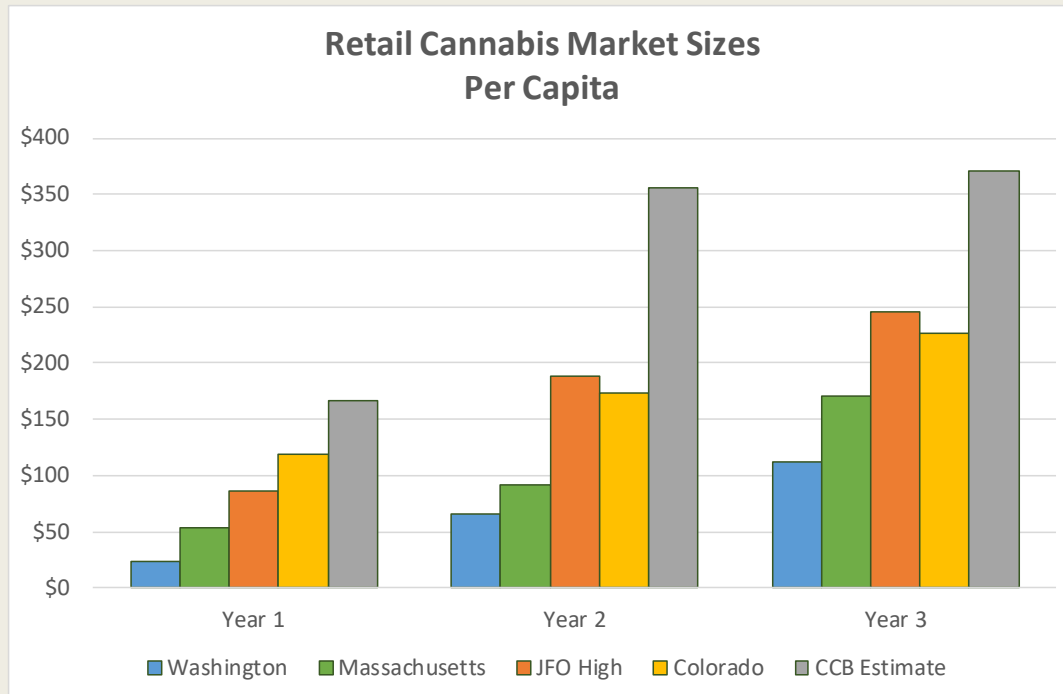
- Total Revenues (in millions)

	FY2022	FY2023	FY2024	FY2025	FY2026
Sales Tax	\$0.59	\$6.95	\$13.23	\$13.88	\$12.56
Excise Tax	\$1.37	\$16.22	\$30.87	\$32.38	\$29.32
of which: Prevention Fund	\$0.41	\$4.87	\$9.26	\$9.71	\$8.79
of which: General Fund	\$0.96	\$11.35	\$21.61	\$22.66	\$20.52



Cannabis Control Board Estimates

- Estimates of cannabis markets are highly sensitive to model inputs and assumptions.
- Two big ones: number of cannabis users, and how much they will consume.
- Differences between JFO and CCB estimates largely boil down to different assumptions on these two parameters.



Fees

- Legislature is charged with setting fees at recommendation of CCB
- Current law: excise tax revenue only available to pay deficit of CCB in years before fees are established
- CCB report fee revenues depend upon fee dynamics (scenarios) with Dynamic 1 being a robust market and Dynamic 3 being a “worst case” scenario (California, Washington).
- Exact number of each license type is difficult to predict, and each state’s experience is different.
- JFO will estimate fee revenue based upon what fee structure and the size of the market.



Decisions for the Legislature

- How much money does the CCB need for operations? Appropriations Committee...
 - *FY23 recommendation of CCB is 11 new positions, \$2.742 million.*
- Does the Legislature want the CCB to be self-sustained by fee revenue? Ways and Means Committee...
 - If \$2.742 million is the “right” number, and the answer is “yes”, then CCB Proposal A would achieve it.
 - Higher fees have typically limited market sizes in other states.
 - If the answer is “no,” how much GF or Prevention Money is appropriate?
 - Does excise tax support come off the top, or only GF?



Decisions for the Legislature

- Fees/Revenues for municipalities?
 - *CCB did not find significant resource requirements for municipalities, \$100 fee recommendation*
- Also recommended a 1-2% of state excise tax share with municipalities
 - *Does this come from GF or Prevention Fund share? Or off the top?*
 - *Policy justification: what is it about cannabis sales that mean municipalities should receive a portion of revenues?*

