

# Cannabis Taxes and Allocations Overview

House Committee on Appropriations

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# Cannabis Taxes in Vermont and Other States

- VT has two taxes on retail cannabis transactions
  - 14% cannabis excise tax
  - 6% sales tax
    - 1% local option tax in certain communities includes cannabis
  - Total combined rate of 20% without a local option
- Some other states have different structures of cannabis taxation at the state level
  - Some states base taxation on THC content (e.g. Connecticut)
    - \$0.00625 per milligram THC of plant materials
    - \$0.0275 per milligram THC of edible materials
    - \$0.009 per milligram THC, other products
    - State and local sales taxes also apply
  - Others tax cannabis at the wholesale level (e.g. Maine)
    - Excises taxes per pound of flower (\$335) and trim (\$94)
    - Excise taxes per seedling (\$1.50) and seed (\$0.30)
    - Retail 10% excise tax and 5.5% sales and use tax



# Cannabis Tax Revenue History and Projections

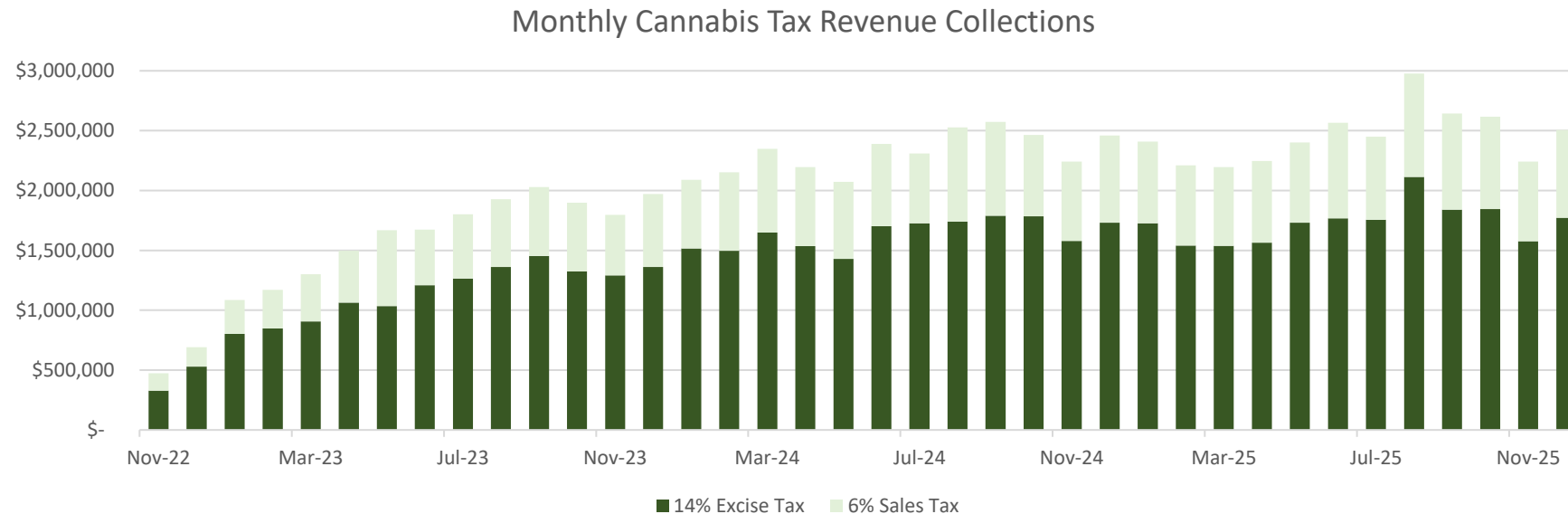
- Estimated tax revenue in FY 2026 implies the total size of the adult-use market is approximately \$161.2 million
- 79 Vermont towns have adopted retail cannabis

*Table 1: Fiscal Year Cannabis Revenue by Revenue Type*

	6% Sales Tax	14% Excise Tax
<b>FY 2023</b>	\$2,836,983	\$6,723,737
<b>FY 2024</b>	\$7,290,165	\$17,380,977
<b>FY 2025</b>	\$8,382,844	\$20,221,141
<b>FY 2026 (Projected)</b>	\$9,700,000	\$22,600,000
<b>FY 2027 (Projected)</b>	\$10,100,000	\$23,600,000
<b>FY 2028 (Projected)</b>	\$10,400,000	\$24,300,000



# Cannabis Taxes – Market Maturity?



- After substantial month over month increases in tax revenues, collections have largely leveled off
- The January 2026 Consensus Revenue Forecast estimates that cannabis excise tax revenues will grow by 4.3% and 3.2% in fiscal years 2028 and 2029, respectively



# Cannabis Tax Allocations – Cannabis Excise

- 14% cannabis excise tax has two allocations
  - 70% of excise tax revenue is allocated to the General Fund
  - 30% allocated to the Substance Misuse Prevention Fund created by Act 27 (2025)
    - Administered by the Department of Health

*Table 2: Cannabis Excise Tax Revenue Allocations*

	Excise Tax	General Fund (70%)	Substance Misuse Prevention Fund (30%)
<b>FY 2026 (Projected)</b>	\$22,600,000	\$15,820,000	\$6,780,000
<b>FY 2027 (Projected)</b>	\$23,600,000	\$16,520,000	\$7,080,000
<b>FY 2028 (Projected)</b>	\$24,300,000	\$17,010,000	\$7,290,000



# Cannabis Excise Tax Directions

- Current excise tax structure follows a few changes:
  - Fiscal year 2023: Cannabis excise tax revenue deposited in the General Fund
  - Fiscal years 2024 and 2025: Revenue deposited in the Cannabis Regulation Fund
    - Remainder after Cannabis Control Board expenses transferred to the General Fund (70%) and Substance Misuse Prevention Fund (30%) in the following fiscal year
  - Fiscal year 2026 and beyond: Revenues deposited in the General Fund (70%) and Substance Misuse Prevention Fund (30%)



# Cannabis Tax Allocations – Cannabis Sales Tax

- 6% cannabis sales tax flows to the Universal Afterschool and Summer Special Fund created by Act 87 (2024), the FY 2024 Budget Adjustment Act
  - Previously cannabis sales tax revenue went to the Education Fund
- Agency of Education administers a grant program using fund revenues
  - Each fiscal year's awardees receive funding for multiple fiscal years – awardees in the program track receive funding for three and a half years. Centers receive funding for five years.
  - In fiscal year 2025, the total awarded amount through the grant program was \$2.4 million.
  - Overall, \$10.5 million in funding is obligated through fiscal year 2030.



# Fee Revenue – Cannabis Control Board

- Various fees on cultivators, manufacturers, retailers, etc.
- Fees raise approximately \$2.5 million per year
- The CCB total budget request for fiscal year 2027 is approximately \$7.1 million
- Language in early cannabis bills articulated two different paths for a fee schedule, ultimately the General Assembly adopted fees that supported smaller establishments:
  - Act 164 (2020): “It is also the intent of the General Assembly to encourage participation in the regulated cannabis market by small, local farmers. In furtherance of these goals, the Board shall consider policies to promote small cultivators as defined in section 861 of this title”
  - Act 62 (2021) specified that a proposed fee schedule should “to the extent possible ... include an amount to repay over a period, not greater than 10 years, to the General Fund any application of excise taxes to the Cannabis Regulation Fund”



# Resources

- [“Cannabis Tax Revenues”](#) – JFO Fast Facts
  - JFO has a new document type called “Fast Facts” – short one- or two-page documents on various subjects
- [Cannabis Revenue Tracker](#)
  - Shows monthly and fiscal year to date revenue collections for cannabis excise and sales tax compared to the prior fiscal year

