



VERMONT LEGISLATIVE
Joint Fiscal Office

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

Fiscal Note

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Ted Barnett, Senior Fiscal Analyst

S.278 – An act relating to cannabis

As recommended by the House Committee on Government Operations and Military Affairs^{1,i}

Bill Summary

This bill would make various changes to the adult-use cannabis market in Vermont:

- *Section 1:* increase the single package THC limit from 100mg to 200mg;
- *Section 2:* increase transaction limits from one ounce to two ounces;
- *Sections 3 and 4:* increase the cannabis possession limits of cannabis and hashish to two ounces and ten grams, respectively;
- *Section 5:* create a pilot program for event permits that would allow for five public events and five private events each year for two years;
- *Section 10a:* decrease fees for all tiers of outdoor cultivators contingent on the Cannabis Regulation Fund receiving a transfer or appropriation to account for lost fee revenue;
- *Section 11:* allow a proposal to hold a vote on whether to permit a cannabis retailer to operate within a municipality to be made by the legislative body of the municipality or a petition of 5% of the voters of the municipality;
- *Section 12:* distribute local cannabis fees to municipalities annually rather than quarterly;
- *Section 13:* change employee fees from annual to biennial renewal and allow for longer product registrations for shelf-stable products;
- *Section 14-22:* repeal the integrated license type, which has not been in use since the last licensee converted to a conventional license;
- *Section 24:* amend the definition of household income for the calculation of education property tax credits to include business deductions or credits for cultivation, testing, processing, or sale of cannabis or cannabis products;
- *Section 27:* allow cannabis cultivators to form cannabis cultivator cooperative corporations; and
- *Section 27b:* authorize the Governor to form agreements with other states that have commercial cannabis markets if regional or interstate cannabis markets are allowed by changes to federal laws.

S.278 would make various changes related to the adult use cannabis market, including creating a pilot program for cannabis event and delivery permits

¹ The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.

Fiscal Impact

Provisions of the bill that would increase package and transaction limits are designed in part to make Vermont's regulated adult-use market more attractive to those who are currently purchasing from the illicit market. The fiscal impact of these changes is challenging to quantify, especially together as a policy package. However, any change in the size of the adult-use market would impact both cannabis excise and sales tax revenues.

Section 3 of the bill would increase possession limits from one to two ounces of cannabis and from 5 to 10 grams of hashish. Increasing the possession limits could mean that fewer civil penalties would be assessed for violations. These penalties are handled by the Judicial Bureau of the Vermont Judiciary, and revenue, minus that from a \$12.50 administrative fee allocated to the Court Technology Special Fund, flows to the General Fund. JFO does not estimate the fiscal impact of changes to fines and penalties.

The event permits created in Section 5 would generate a maximum of \$5,000 annually for two years, of which \$2,500 would be allocated to municipalities hosting events and \$2,500 would be allocated to the Cannabis Regulation Fund. Event permits would sunset July 1, 2028.

Section 10a of the bill would reduce fees for outdoor cultivators only if the General Assembly has appropriated or transferred at least \$105,000 to the Cannabis Regulation Fund by January 1, 2027. This change would reduce revenue to the Cannabis Regulation Fund by approximately \$105,000 annually if it goes into effect.

Section 24 would change the definition of household income for the purposes of calculating the property tax credit to include cannabis deductions and would, all else equal, increase property tax credits paid to Vermont homeowners, which in turn would reduce net homestead property tax revenues to the Education Fund and increase General Fund payments to municipalities starting in fiscal year 2027. These changes would have a minimal impact on the Education and General funds.

Section 27 would allow licensed cannabis cultivators to form a cannabis cultivator cooperative corporation pursuant to 11 V.S.A. chapter 7. Those cooperatives pay fees at incorporation or merger (\$20), and for amendments to those filings (\$10). These filings would result in minimal additional revenue for the Secretary of State Services Special Fund, which generated approximately \$11.7 million in revenue in fiscal year 2025 and ended the fiscal year with a balance of approximately \$2.4 million.

Background and Details

The following sections contain a fiscal impact:

Sections 5: Event Permit Pilot

This section would create a two-year pilot program (ending July 1, 2028) for event permits. The event permit would be for licensed cannabis establishments, which could include cultivators, retailers, and other licensees. The permit would need local approval and to meet various other logistical requirements. Each year, five permits would be available for private events and five permits would be available for public events. In both cases, a permit would be valid for a single event that does not last longer than 24 hours. Sales of cannabis products would not be allowed during the event, and the event could not be held at a location where alcohol is sold. Permit fees would be \$500 per event and would be directed 50% to the host municipality and 50% to the Cannabis Regulation Fund. Assuming 10 events, the fees would generate \$5,000 for the Cannabis Regulation Fund each year of the pilot.

Section 10a: Outdoor Cultivator License Fees

Outdoor cultivators are grouped into five different tiers for licensing fees based on the size of plant canopy. For example, under current law fees range from \$750 annually for tier 1 cultivators with less than 1,000 square feet of canopy space or fewer than 125 plants to \$18,000 annually for tier 5 cultivators with up to 20,000 square feet of canopy space. This section would reduce fees approximately in half for all tiers of outdoor cultivators. Table 1 highlights these fee changes.

Table 1: Proposed Changes to Outdoor Cultivation Licenses in S.278

Fee Name	Current Licenses	Current Fee	FY 2027 Projected Revenue (Current Law)	Proposed Fee	FY27 Projected Revenue (with fee changes)	Difference
Cultivator - Outdoor Tier 1	74	\$750	\$55,500	\$375	\$27,750	(\$27,750)
Cultivator - Outdoor Tier 2	24	\$1,875	\$45,000	\$925	\$22,200	(\$22,800)
Cultivator - Outdoor Tier 3	9	\$4,000	\$36,000	\$2,000	\$18,000	(\$18,000)
Cultivator - Outdoor Tier 4	2	\$8,000	\$16,000	\$4,000	\$8,000	(\$8,000)
Cultivator - Outdoor Tier 5	3	\$18,000	\$54,000	\$9,000	\$27,000	(\$27,000)
Total			\$206,500		\$102,950	(\$103,550)

These fee reductions would only go into effect if the General Assembly appropriated or transferred a minimum of \$105,000 to the Cannabis Regulation Fund on or before January 1, 2027. H.951, as passed by the House and Senate, does not include a transfer for this amount.

Section 13: Employee Licenses

Section 13 would convert annual employee licenses of \$50 to a two-year license of \$100. Although the overall amount paid for licenses over the two years would not change, it would change the timing of revenues received by Cannabis Regulation Fund. Approximately 1,700 employees were licensed by the Cannabis Control Board (CCB) in fiscal year 2025, which generated \$83,700 for the Cannabis Regulation Fund.²

Section 24: Property Tax Credit Calculation

Section 24 would impact the calculation of household income that is used to calculate property tax credits. Increases in property tax credits, starting with claims filed in 2026, would reduce net homestead education property taxes by an unknown amount annually starting in fiscal year 2027. While this is estimated to have a de minimis impact on the Education Fund, absent other changes in policy, the yields and property tax rates may need to be adjusted to account for the forgone revenue from this provision.

¹ The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.

² <https://legislature.vermont.gov/assets/Legislative-Reports/Act-56-2025-Fees-and-Appropriations-Report.pdf>