

Cannabis Taxes and Allocations Overview

House Committee on Ways and Means
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Cannabis Taxes in Vermont

- Vermont has two taxes on retail cannabis transactions
 - 14% cannabis excise tax
 - 70% allocated to the General Fund
 - 30% to the Substance Misuse Prevention Fund
 - 6% sales tax
 - 100% allocated to the Universal Afterschool and Summer Special Fund
 - 1% local option tax in certain communities includes cannabis
- Total combined rate of 20% without a local option tax
- Sales to medical patients or registered caregivers are exempt from taxation
 - Act 166 (2025) created the medical endorsement, which allows retail establishments to sell to medical patients
 - 28 of 110 cannabis retailers have adopted the medical endorsement



Cannabis Taxes in Other States

- Variety of tax structures in other states
 - For states that only have taxes on retail sales, rates vary from 6% in Missouri to 37% in Washington
 - Connecticut bases taxes on both retail sales (3%) and THC potency of products
 - In addition to a retail excise tax of 14%, Maine taxes plants at the wholesale level
 - \$223 per pound of flower
 - \$63 per pound of trim
 - \$23 per mature plant
 - \$1.00 per immature plant or seedling
 - \$0.20 per seed



Cannabis Tax Revenue History and Projections

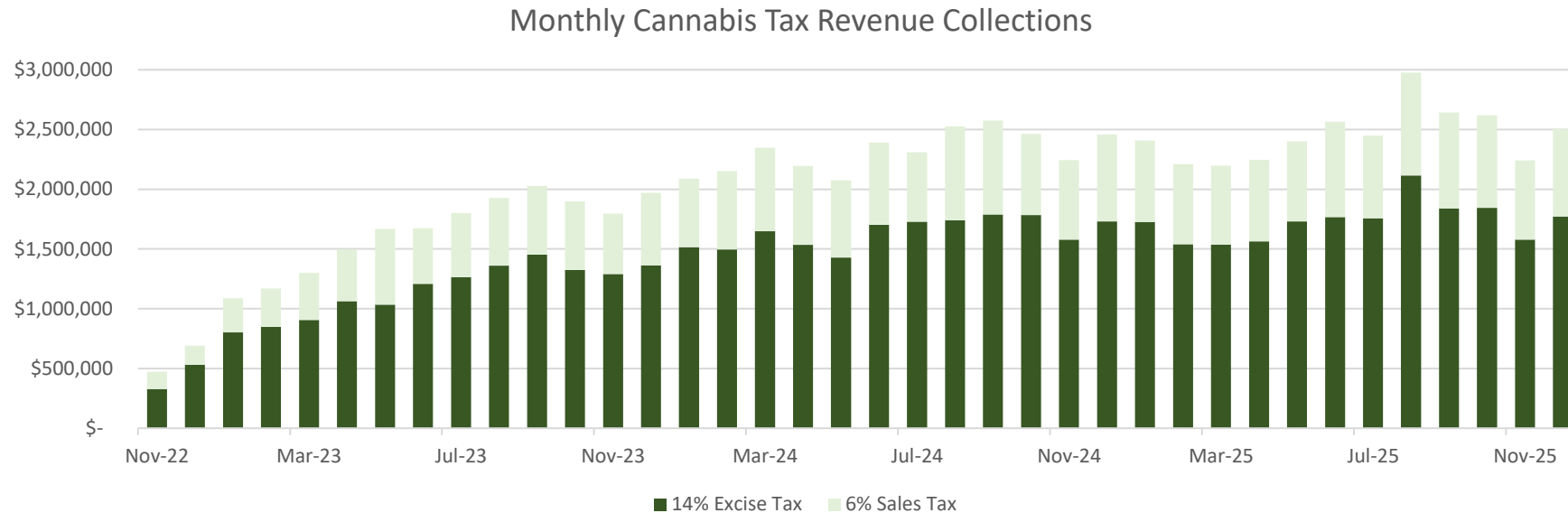
- Estimated tax revenue in fiscal year 2026 implies the total retail size of the adult-use market is approximately \$161.2 million
- 78 Vermont towns have at least one cannabis retailer

Table 1: Fiscal Year Cannabis Revenue by Revenue Type

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



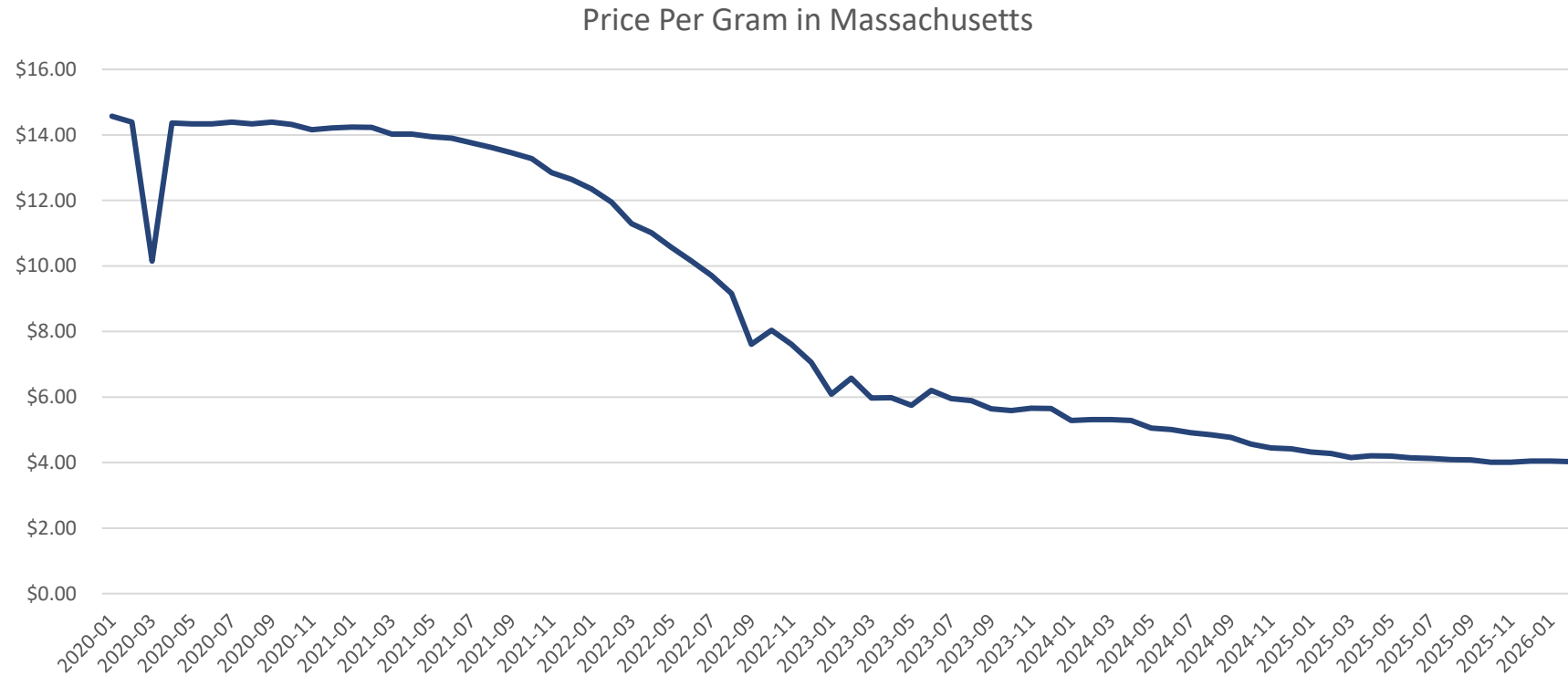
Cannabis Taxes – Market Maturity?



- After substantial month over month increases in early years of the adult-use cannabis market, tax 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



Adult-Use Cannabis Prices in Massachusetts



Source: Cannabis Control Commission Massachusetts

- Consistent with the experience of other states, Massachusetts saw initially high prices for cannabis before steep declines
- Will this trend occur in Vermont?



Cannabis Tax Allocations – Cannabis Excise

- The revenue of the 14% cannabis excise tax has two allocations:
 - 70% to the General Fund
 - 30% 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%)
FY 2026 (Projected)	\$22,600,000	\$15,820,000	\$6,780,000
FY 2027 (Projected)	\$23,600,000	\$16,520,000	\$7,080,000
FY 2028 (Projected)	\$24,300,000	\$17,010,000	\$7,290,000



Cannabis Excise Tax History

- Fiscal year 2023
 - 100% of revenue deposited in the General Fund
- Fiscal years 2024 and 2025
 - 100% of revenue deposited in the Cannabis Regulation Fund
 - Remainder after Cannabis Control Board expenses then transferred to the General Fund (70%) and Substance Misuse Prevention Fund (30%) in the following fiscal year
- Fiscal year 2026 and beyond
 - Revenue deposited in the General Fund (70%) and Substance Misuse Prevention Fund (30%)



Proposed 20% Allocation to Higher Education Endowment Trust Fund

- As recommended by Senate Appropriations (SAC), H.951 (the fiscal year 2027 Big Bill) 20% of cannabis excise tax would go to the Higher Education Endowment Trust Fund beginning in fiscal year 2028
- As recommended by SAC, H.951 would also make three one-time appropriations from the Fund:
 - \$12 million for the Multi-Purpose Center Project at UVM
 - \$2.3 million for Freedom and Unity grants at VSAC
 - \$600,000 for the McClelland Hall housing transformation project at VSC
- The Fund ended fiscal year 2025 with a fund balance of approximately \$65.7 million, after a \$24.3 million windfall of estate tax revenue that year
- Statute allows for two uses from the Fund:
 - 5% of the 12-quarter moving average of Fund assets equally distributed to UVM, VSC, and VSAC
 - 2% of the Fund’s average assets can be distributed to UVM and the Vermont State Colleges for creating or increasing a permanent endowment fund

Current Law			
Forecasted Cannabis Tax Revenue (\$ millions)	FY 2027	FY 2028	FY 2029
70% to General Fund	16.5	17.0	17.6
30% to Substance Misuse Special Fund	7.1	7.3	7.5
Total	23.6	24.3	25.1

H.951 As recommended by Senate Appropriations			
Forecasted Cannabis Tax Revenue (\$ millions)	FY 2027	FY 2028	FY 2029
50% to General Fund	No	12.2	12.6
20% Higher Education Endowment Trust Fund	change	4.9	5.0
30% to Substance Misuse Special Fund		7.3	7.5
Total		24.3	25.1

General Fund Impact	(4.9)	(5.0)
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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 fiscal year 2024 Budget Adjustment Act
 - Previously, cannabis sales tax revenue went to the Education Fund
- The Agency of Education administers a grant program using said 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 while centers receive funding for five years
 - In fiscal year 2025, the total awarded amount through the 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 for cannabis establishments 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
- Questions?

