

Fact Sheet: Marijuana Taxes

2000: Voters approve Amendment 20, which allows the possession and use of medical marijuana.

2012: Voters approve Amendment 64, which legalizes recreational marijuana for use by adults aged 21 and older and allows recreational sales to begin in 2014. It also directs the legislature to impose an excise tax on retail marijuana to fund school construction through the Building Excellent Schools Today (BEST) program. It is later determined that, because of TABOR, voters will have to specifically approve an excise tax on recreational marijuana with a separate ballot measure.

2013: Voters approve Proposition AA, which reaffirms the excise tax on recreational pot. Prop AA also includes a special 10 percent state sales tax on recreational marijuana, which wasn't originally part of Amendment 64.

2015: Voters approve Proposition BB which allows Colorado to keep the taxes generated from the sale of recreational marijuana instead of returning the money through a forced refund caused by an elections-related provision in TABOR.

How is marijuana taxed and where does that revenue go?

Medical marijuana and recreational marijuana are taxed differently. Both are subject to Colorado's regular 2.9 percent state sales tax. But recreational marijuana also is subject to a 15 percent excise tax, which is levied on the wholesaler, and an additional special 10 percent sales tax.

Unlike ordinary state sales tax revenue, which gets deposited into the General Fund, most sales tax from both medical and recreational marijuana goes into the Marijuana Tax Cash Fund.

Eighty-five percent of the recreational marijuana taxes generated each year from the special sales tax goes into the Marijuana Tax Cash Fund. The remaining 15 percent goes to local governments. Meanwhile, the first \$40 million generated by the 15 percent excise tax on recreational marijuana each year goes to the Building Excellent Schools Today (BEST) program. The revenue in the Marijuana Tax Cash Fund gets appropriated by the legislature annually to health care, health education and substance abuse prevention and treatment programs.

In addition to the state sales tax, cities and counties across Colorado also collect local sales tax. Local rates apply to both medical and retail marijuana. Counties and cities may also apply their own special sales tax to retail marijuana.

How much tax revenue is generated from marijuana sales?

Total tax revenue from recreational marijuana in FY 2014-15 was \$77.9 million. Of that, \$66.1 million was from taxes approved under Proposition AA and another \$11.8 came from the state's regular 2.9 percent sales tax. This is a tiny fraction of the total tax revenue collected by the state.

| Colorado's Marijuana Tax Revenue FY 2014-15 Millions of Dollars | | |
|---|---|----------------|
| Retail Marijuana | 15% Excise | \$24 |
| | 10% Special Sales Tax | \$42.1 |
| | State Share of 10% Special Sales Tax | \$35.8 |
| | Local Share of 10% Special Sales Tax | \$6.3 |
| | 2.9% State Sales Tax on Retail | \$11.8* |
| | Total Taxes from Retail Marijuana | \$77.9 |
| Medical Marijuana | 2.9% State Sales Tax on Medical | \$10.4* |
| | Total Taxes from Medical Marijuana | \$10.4 |

Source: Legislative Council Preliminary FY2014-15 Figures
*Revenue is subject to TABOR Revenue Limit; other marijuana tax revenue is voter-approved and does not count toward the revenue limit.

