

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 151
(Delegate Vogel)
Ways and Means

**Sales and Use Tax - Distribution of Cannabis Sales Tax Revenue - Maryland
Veterans Trust Fund**

This bill redirects 3% of the first 25% of cannabis sales and use tax collections that is distributed to the general fund under current law to the Maryland Veterans Trust Fund (MVTF). The remaining 22% (of the first 25% of cannabis sales and use tax collections) continues to be distributed to the general fund. The distribution of the remaining 75% of cannabis sales and use tax collections is unchanged. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund revenues decrease by an estimated \$4.1 million in FY 2027 due to the redistribution of cannabis sales and use tax collections; future years reflect projected growth in taxable cannabis sales. Nonbudgeted revenues for MVTF increase by commensurate amounts each year; nonbudgeted expenditures increase correspondingly.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(\$4,095,000)	(\$4,322,500)	(\$5,185,400)	(\$6,100,500)	(\$6,222,500)
NonBud Rev.	\$4,095,000	\$4,322,500	\$5,185,400	\$6,100,500	\$6,222,500
NonBud Exp.	\$4,095,000	\$4,322,500	\$5,185,400	\$6,100,500	\$6,222,500
Net Effect	(\$4,095,000)	(\$4,322,500)	(\$5,185,400)	(\$6,100,500)	(\$6,222,500)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal or none.

Analysis

Current Law:

Cannabis Sales and Use Tax

The Budget Reconciliation and Financing Act of 2025 (Chapter 604) increased the sales and use tax rate imposed on the retail sale of adult-use cannabis from 9% to 12% beginning in fiscal 2026 and altered the distribution of sales and use tax collections from the sale of cannabis so that the entire portion of revenue attributable to the higher rate is distributed to the general fund. Under current law, the first 25% of cannabis sales and use tax collections is distributed directly to the general fund.

For additional information regarding the sales and use tax on cannabis and how that revenue is distributed, please see the **Appendix – Adult-use Cannabis Sales and Use and Tax and Revenues**.

Maryland Veterans Trust

The purpose of the Maryland Veterans Trust (MVT) and MVTF is to provide monetary and other assistance to (1) veterans and members of the Maryland National Guard and their families and (2) public and private programs that support veterans and their families. MVTF is nonbudgeted and maintained by MVT, which is staffed by the Department of Veterans and Military Families (DVMF).

Generally, MVTF consists of (1) gifts and grants; (2) contributions from the sale of tickets from instant ticket lottery machines, donations from video lottery facility players, designated fees from specified special registration plates, and specified civil penalties related to persons providing veterans benefits and veterans benefits appeals services; and (3) the net proceeds from contributions under a State income tax checkoff.

Money in the fund may only be used to (1) make grants and loans to veterans and members of the Maryland National Guard and their families, to public and private programs that support veterans and their families, or to any other programs MVT considers to be within the purpose of the fund; (2) be invested, as specified; and (3) pay the costs of administering MVTF through distribution to an administrative cost account within DVMF.

State Fiscal Effect:

Redistribution of Cannabis Sales and Use Tax Revenues from the General Fund to the Maryland Veterans Trust Fund

General fund revenues decrease by an estimated \$4,094,953 in fiscal 2027, increasing to \$6,222,499 by 2031, due to the redistribution of 3% of the cannabis sales and use tax

revenues from the general fund to MVTF; future years reflect projected growth in taxable cannabis sales. This estimate is based on the December 2025 cannabis sales and use tax revenue forecast. Nonbudgeted revenues for MVTF increase by commensurate amounts each year. Nonbudgeted expenditures for MVTF increase correspondingly each year, reflecting spending of the additional available funding on grants and loans and for related administrative costs. This estimate is based on the following assumptions and information:

- historically, there has been more demand for funding from MVTF than available funds, so it is assumed that all available funds are spent each year;
- MVT is a 501(c)(3) nonprofit organization, so its funds are not reported as part of State fund balances and are reflected in this estimate as nonbudgeted funds;
- DVMF staffs the trust and processes grant and loan applications; and
- it is assumed that additional DVMF administrative costs incurred under the bill, discussed in more detail below, are covered using cannabis sales and use tax revenues redirected to the fund under the bill (and not general funds).

Maryland Department of Veterans and Military Families and Maryland Veterans Trust Administrative Costs

Administrative workloads for DVMF increase *significantly* to process and award additional grants and loans due to the additional funding available under the bill. According to DVMF, funding for the trust fund in 2025 was approximately \$1.0 million. Administering and processing grants from MVTF is a labor-intensive process and typical grants are for relatively small amounts (roughly \$5,000 to \$15,000 each) that are disbursed primarily to individuals and families. Currently, three full-time DVMF staff (which includes one dedicated accountant) administer the grant and loan program. These staff are paid for with general funds. DVMF anticipates that it needs to hire approximately four additional full-time staff to administer the additional funding available under the bill. The Department of Legislative Services (DLS) is unable to independently verify MVTF's anticipated need for additional staff without actual experience under the bill. However, DLS concurs that administering four to six times as much funding significantly increases DVMF's administrative workload and that the department needs to hire several additional staff to fully expend the additional funding available under the bill. For context, if DVMF hires four agency grant specialists on July 1, 2026, administrative costs increase by \$386,406 in fiscal 2027 and by at least \$345,344 annually thereafter.

DLS also notes that because existing DVMF staff that administer grants and loans from MVTF are paid for with general funds, it is somewhat unclear whether staff hired under the bill would be funded using general funds or the cannabis sales and use tax revenues redistributed to MVTF under the bill. This analysis assumes that, because the cannabis sales and use tax revenues redirected to the fund under the bill far exceed current funding

levels and the projected cost of the additional staff needed, DVMF uses the additional funding redistributed to MVTF under the bill to cover its increased administrative costs, as authorized under current law. However, to the extent that DVMF chooses not to use trust funds to hire staff, general fund expenditures increase instead.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Department of Veterans and Military Families; Department of Legislative Services

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jg/mcr

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Appendix – Adult-use Cannabis Sales and Use Tax and Revenues

Cannabis Sales and Use Tax Revenues

Chapters 254 and 255 of 2023 established a 9% sales and use tax on the retail sale of adult-use cannabis, and the Budget Reconciliation and Financing Act (BRFA) of 2025 (Chapter 604) increased the tax rate to 12% beginning in fiscal 2026. In the second year of adult-use cannabis sales (July 1, 2024, through June 30, 2025), retail sales generated approximately \$71.8 million in sales and use tax revenues. Adult-use cannabis sales and use tax collections for the first quarter of fiscal 2026, when the 12% sales and use tax rate went into effect, totaled \$26.9 million; collections are on track to exceed \$100.0 million in fiscal 2026.

Distribution of Cannabis Sales and Tax Revenues

Per statute, as amended by the BRFA of 2025, the Comptroller must distribute the first 25% of sales and use tax revenues from the sale of adult-use cannabis to the general fund. Of the remaining 75% of the sales and use tax revenues, the Comptroller must *first* distribute to the Cannabis Regulation and Enforcement Fund (CREF) and the Department of Social and Economic Mobility (DoSEM) Fund an amount sufficient to defray the operating and administrative costs of the Maryland Cannabis Administration and the Office of Social Equity, respectively. Revenues remaining after those distributions to CREF and DoSEM are *then* distributed as follows: 50% to the State's general fund (through fiscal 2028, after which the general fund distribution increases to 55%); 35% to Community Reinvestment and Repair Fund (through fiscal 2033 only), which is administered by the Comptroller's Office with oversight assistance from the Office of Social Equity; 5% to the Cannabis Public Health Fund, which is administered by the Maryland Department of Health; 5% to the Cannabis Business Assistance Fund (through fiscal 2028 only), which is administered by the Department of Commerce; and 5% as a separate direct allocation to counties.