



**2023 MD General Assembly  
Written Testimony - SB 516**

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We support with amendments. It's clear legalization is overdue. Our issue is with ensure we have money for our community reinvestment fund for reparations for the war on Drugs.

While it is possible there is a trade-off between addressing the black market by keeping cannabis inexpensive and higher tax rates, our analysis should that the tax rate's in the current bill are so low right now in the bill that we have passed to the point of diminishing returns on what low tax rates can do to address the Black Market. Thus, we propose amendments to prevent Maryland from leaving hundreds of millions of dollars for community reinvestment on the table.

Tax rates around the nation on candidates vary between 15 on the low end to 35 to 40 on the high end. At six percent to 10 percent, Maryland would be extremely low. High tax rates can make cannabis more expensive, but there's no demonstrable evidence that low tax rates themselves can *lower* the cost of cannabis. Other factors numbers dispensary density, weather, and the pre-existing Black Market impact cannabis costs.

Much of the fear around high taxes comes from Oregon and Washington, which in addition to high taxes have unique, 70 year histories of illegal cannabis grows, and California, which is next to Mexico. Their experience is not analogous to our and should not be used to demand low tax rates in Maryland.

CEO of weed maps Chris Beale says it's the density of retail establishments, not the tax rates, it's a critical factor to undermining the black market. He promotes New Mexico model. They're going for a thousand dispensaries, we're currently at 200-400 including the micro business.

Cannabis public policy consulting producer document where they say the optimal tax to undercut the Black Market in Maryland specifically should be twice the current tax rate, stating quote:

*"We recommend between a 15 to 20% tax to maximize rapid shifts to the adult use market".*

They also say that starting at 10 would be the optimal starting point for this strategy. This is our first proposed amendment. We're recommending starting at 10 percent and going up one percent per year to 15. This will not meaningfully increase cannabis costs to consumers. The average



purchase is between 25 and 50 bucks at the dispensary. This would be the difference between a 55\$ bill on a 50\$ purchase unamended versus 57.5 under our highest proposed tax rate of 15%.

This would keep Maryland on the low end of the lowest end of cannabis taxation nationwide. The cannabis public policy consulting paper goes on to state the difference between a 10% tax and a 15% tax on the total percentage of cannabis sales going to the black market is only two percent.

While the Black market impact is minor, the potential impact of revenue is massive. Using the numbers in the fiscal note, over the first five years, Maryland will miss out on up a quarter billion dollars in overall tax revenue and our community reinvestment fund would lose 75 million dollars without our amendment.

We agree that revenue generation should not be the main focus of this bill, so we offer a second prospective amendment. If we keep the tax rate as is, increase the percentage of overall tax revenue to the community reinvestment fund from 30% to 60% This would increase community reinvestment funding from 138 million to 278 million over 5 years.

We ask the committee to consider what would have a bigger impact on the Black market, 2% less sales in the Black market or over 150 Million dollars targeted specifically for investment in the communities most impacted by the War on Drugs?

We understand the frustration with this issue. Why should the one new industry, where we can potentially mint new Black millionaires, be hampered with taxation? We ask you to consider the question from a community perspective. Why is it that on the one shot we have for predictable, consistent funding for community investment in the most desperate communities, Maryland chooses to leave millions of dollars in tax money on the table? We know that getting this right the first time is critical as whatever tax rate is printed in the bill that passes will create an expectation among consumers and businesses, and thus may be hard to change in the future. We ask you to consider these amendments, so we can get this right the first time.

Thank You,



**Revenue Projections (Numbers pulled from Fiscal Note)**

	Unamended		Amended	
	Percentage	Revenue (in millions)	Percentage	Revenue (in millions)
<b>Year 1</b>	6%	\$24	10%	\$40.00
<b>Year 2</b>	7%	\$56.90	11%	\$89.36
<b>Year 3</b>	8%	\$99.40	12%	\$149.11
<b>Year 4</b>	9%	\$146.60	13%	\$211.77
<b>Year 5*</b>	10%	\$162.90	14%	\$228.06
<b>TOTAL</b>	\$489.80		\$718.30	
<b>DIFFERENCE</b>	\$228.50			

\* Assuming year 4 sales in Year 5

**Revenue Projections for Community Reinvestment Fund**

	Unamended		Amended	
	Percentage	Revenue (in millions)	Percentage	Revenue (in millions)
<b>Year 1</b>	6%	\$7.2	10%	\$12.00
<b>Year 2</b>	7%	\$15.40	11%	\$26.80
<b>Year 3</b>	8%	\$26.70	12%	\$44.73
<b>Year 4</b>	9%	\$40.80	13%	\$63.53
<b>Year 5*</b>	10%	\$48.78	14%	\$66.15
<b>TOTAL</b>	\$138.88		\$213.21	
<b>DIFFERENCE</b>	\$74.33			

\* Assuming year 4 sales in Year 5



**Community Reinvestment Fund under 2nd Proposed Amendment**

*(Current tax rate with percent of funding shifted from 30% to 60%)*

<b>Year</b>	<b>Revenue (in millions)</b>
Year 1	\$14.20
Year 2	\$30.80
Year 3	\$53.40
Year 4	\$81.60
Year 5	\$97.74
<b>TOTAL</b>	<b>\$277.74</b>

**Difference - Doubling percentage to Community Reinvestment fund increases overall community reinvestment funding 154 million over unamended current tax structure and increases 69.66 million over overall tax increase (1st proposed amendment) version.**



### Cannabis Taxation Rates in Other States

State	Total Cannabis Taxation Tax Rate
Alaska	14 % to 17%
Arizona	21% to 26%
California	22.25% to 24.25%
Colorado	30%
Connecticut	16% to 26%
Illinois	26% to 34%
Maine	15% to 20%
Massachusetts	17% to 20%
Michigan	16%
Montana	20%
Nevada	18.25% to 20.25%
New Jersey	9% to 20%
New Mexico	17-21% to 22-26%
New York	18% to 23%
Oregon	17% to 20%
Rhode Island	17 to 20%
Vermont	21%
Virginia	25%
Washington	37%



State	Percentage-of-price		Weight-based	Potency-based	General sales tax	
	State	Local			State	Local
Alaska		✓	✓			✓
Arizona	✓				✓	✓
California	✓	✓			✓	✓
Colorado	✓		✓			✓
Connecticut		✓		✓	✓	
Illinois	✓	✓		✓	✓	✓
Maine	✓		✓			
Massachusetts	✓	✓			✓	
Michigan	✓				✓	
Missouri	✓	✓			✓	✓
Montana	✓	✓				
Nevada	✓		✓		✓	✓
New Jersey		✓	✓		✓	
New Mexico	✓				✓	✓
New York	✓	✓		✓		
Oregon	✓	✓				
Rhode Island	✓	✓			✓	
Vermont	✓				✓	✓
Virginia	✓	✓			✓	✓
Washington	✓				✓	✓

Maryland (proposed)    ✓    ✗    ✗    ✗    ✗    ✗

**Note:**

- Maryland proposed 6 to 10%, with no additional (regular) sales or local “piggyback” tax

**Sources:**

- Auxier, R., & Airi, N. (2022). The Pros and Cons of Cannabis Taxes. <https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/state-and-local-back-grounders/marijuana-taxes>
- Independent research on average THC potency for potency taxes and average cost of an ounce of cannabis for weight-based taxes.



## Tax Rates Impact on Potential Black Market Sales in Maryland

*Predicted Percentage of Cannabis Market Share That Will Be Illicit*

Number of Dispensaries	Effective Tax Rate	Month of Implementation			Number of Dispensaries	Effective Tax Rate	Month of Implementation			Number of Dispensaries	Effective Tax Rate	Month of Implementation		
		1 - 4	5 - 8	9 - 12			25 - 28	29 - 32	33 - 36			49 - 52	53 - 56	57 - 60
100-250	10%	43%	42%	41%	100-250	10%	38%	37%	36%	100-250	10%	33%	32%	31%
	15%	45%	44%	43%		15%	40%	39%	38%		15%	35%	34%	34%
	20%	47%	46%	46%		20%	42%	42%	41%		20%	38%	37%	36%
	25%	49%	49%	48%		25%	45%	44%	43%		25%	40%	39%	38%
	30%	52%	51%	50%		30%	47%	46%	45%		30%	42%	41%	41%
260-500	10%	38%	37%	36%	260-500	10%	33%	32%	31%	260-500	10%	28%	27%	26%
	15%	40%	39%	38%		15%	35%	34%	33%		15%	30%	29%	29%
	20%	42%	41%	41%		20%	37%	37%	36%		20%	33%	32%	31%
	25%	44%	44%	43%		25%	40%	39%	38%		25%	35%	34%	33%
	30%	47%	46%	45%		30%	42%	41%	40%		30%	37%	36%	36%
500-800	10%	33%	32%	31%	500-800	10%	28%	27%	26%	500-800	10%	23%	22%	21%
	15%	35%	34%	33%		15%	30%	29%	28%		15%	25%	24%	24%
	20%	37%	36%	36%		20%	32%	32%	31%		20%	28%	27%	26%
	25%	39%	39%	38%		25%	35%	34%	33%		25%	30%	29%	28%
	30%	42%	41%	40%		30%	37%	36%	35%		30%	32%	31%	31%

Source: [Cannabis Public Policy Consulting](#)