

OFFICE OF FISCAL ANALYSIS

Connecticut General Assembly

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2017OFA-0191

February 1, 2017

FROM: Evelyn Wisnieski

SUBJECT: Retail Marijuana Revenue Estimate (Colorado and Massachusetts)

You asked for a fiscal estimate from the legalization of marijuana in Connecticut using similar tax policies implemented in 1) Massachusetts and 2) Colorado.

Summary

The implementation of the Massachusetts policy is estimated to generate \$8.9 million in the first year (assuming a January 1 implementation date) and \$30.1 million in state taxes and fees in the first full year of implementation.

The Colorado policy is estimated to generate \$13.6 million in the first year (assuming a January 1 implementation date) and \$63.9 million in state taxes and fees in the first full year.

A local option of 2% is estimated to generate an aggregated \$5.6 million in the first full year of implementation.

The state would also incur an estimated cost of \$1.2 million to 1.9 million in the first year (assuming a January 1 implementation date) and \$4.2 million to \$9 million in the first full year associated with the regulation of the legalized marijuana in the first full year of implementation.

The table below provides further details on the revenue estimates by tax

policy and year.

Massachusetts Model	Tax Rates	Year 1 (half year)	Year 2 (full year)	Year 3 (full year)
Excise Tax	3.75%	510,000	4,030,000	7,160,000
Sales Tax	6.35%	3,910,000	17,650,000	28,580,000
State Tax Total		4,420,000	21,680,000	35,740,000
Licenses*		4,465,000	8,370,000	9,691,000
Grand Total (State)		8,885,000	30,050,000	45,431,000
Local Option	2.00%	1,230,000	5,560,000	9,000,000

*Based on CO license data. Pro-rate Mass fees to CO fees

Colorado Model	Tax Rates	Year 1 (half year)	Year 2 (full year)	Year 3 (full year)
Sales Tax	6.35%	3,910,000	17,650,000	28,580,000
Additional Sales Tax	6.55%	6,010,000	27,110,000	43,890,000
Excise Tax	15.0%	2,020,000	16,120,000	28,630,000
State Tax Total		11,940,000	60,880,000	101,100,000
Licenses		1,630,000	3,050,000	3,530,000
Grand Total (State)		13,570,000	63,930,000	104,630,000
Local Taxes (estimate)*	2.00%	1,230,000	5,560,000	9,000,000

*Local sales taxes in Colorado vary by jurisdiction. This estimate assumes a local tax of 2.0% across all jurisdictions for illustrative purposes.

Assumptions and Considerations to Revenue Estimates

1. These estimates are based upon marijuana-related tax data collections from Colorado's Department of Revenue. The significant increases in Years 2 and 3 reflect the significant growth in revenue experienced by Colorado, as reported by the Dept. of Revenue. This analysis assumes the same trajectory in growth as experienced in Colorado since retail sales began in that state in January 2014.

2. These estimates assume a beginning date of January 1 (i.e. a half fiscal year) for year 1, as occurred in Colorado (see point #1). The revenue impact will therefore vary with a differing implementation date.

3. Both models include the Connecticut sales tax rate of 6.35% rather than the respective state's sales tax rate. The Colorado model includes an additional 6.55% Sales Tax rate in order to mirror Colorado's overall state sales tax rate of 12.9%.

4. To the extent that any enacted policy varies in tax rates and fees from the

Massachusetts or Colorado policies, there could be a potentially significant difference in actual revenue collected.

State Regulations Costs

It is estimated that regulatory costs will be approximately 14% of the total tax revenues each year.

As such, the implementation of the Massachusetts policy would result in an annualized state cost of \$1.2 million in the first year (assuming a January 1 implementation date) and \$4.2 million in the first full year. The implementation of the Colorado policy would result in an annualized state cost of \$1.9 million in the first year (assuming a January 1 implementation date) and \$9 million in the first full year.

These costs are associated with regulatory staff within the Department of Consumer Protection and include salaries, fringe benefits, equipment (computers, vehicles and other office supplies) and other expenses.

I hope that you find this information helpful. Please contact me if you have any questions or need further assistance.