

# Marijuana Taxes for North Carolina

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[www.newrevenue.org](http://www.newrevenue.org)

NC DOJ March 25, 2022

I haven't worked for marijuana sellers.

Thanks to the AG and the Legislature.



# State sale profits or taxes?

**Q3** If marijuana were legal in NC, do you think it should be taxed and sold in state-owned stores the way liquor is, or in private retail stores, like beer and wine are?

*State-owned stores* 58% *No opinion*.....23%  
*Private stores*.....19%

<https://newrevenue.org/2021/07/21/marijuana-sales-in-north-carolina-public-or-private-2013-poll/>

# State marijuana sales escape federal **income** tax like state liquor sales.

## Tax Benefits of Government-Owned Marijuana Stores

*Benjamin M. Leff\**

[https://lawreview.law.ucdavis.edu/issues/50/2/Topic/50-2\\_Leff.pdf](https://lawreview.law.ucdavis.edu/issues/50/2/Topic/50-2_Leff.pdf)



**Finance and Administration**



# IF you choose the tax path . . .

It's primitive still.

- Product categories
- Tax “bases” – measuring sticks
  - % of Price – like SB711
  - Weight of plant parts
  - Weight of sampled THC

## Products and How to Consume



**Cannabis Flower**

Products and How to Consume



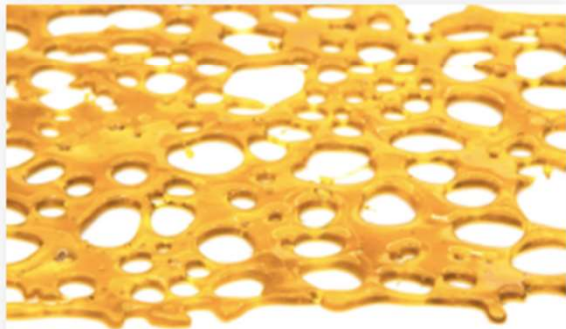
**Edibles**

Products and How to Consume



**Alternative Cannabis Products**

Products and How to Consume



**Concentrates**

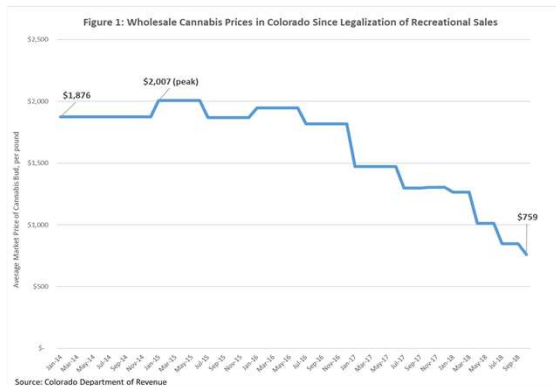


**Vape**



# % of retail price leaves \$ on the table

- Fast and cheap to start
- But discounts
- Gaming – free pot with pipe
- **Price ▼ as supply ▲**



Product	Quantity	Price
X-Tracted .5g Blue Dream	1	26.62
Refine .5g Mango	1	34.13
Subtotal		60.75
Tax		28.25
State	3.95	
Local	1.82	
Excise	22.48	
Total		89.00

# Weight base – raw plant material

Like Alaska: \$50 per ounce

Problem: Incentive to sell high-THC products

Response: Crude categories

Flower (= bud)

Leaves (= trim)

Fresh (= Wet) whole plant

Other bud

For extraction

Small, Abnormal, Immature

Trim for extraction



# Sampled THC base

- THC = primary intoxicant
- CBD and 500+ components = Non-intoxicating
- Sampling and measurement
  - Concentrates – Easy
  - Flower (raw plant matter) – Depend on consumer label
- New engineered NC-legal intoxicants like Delta-8, Delta-10, THC-O



# Options: And Canada: \$1/gram for flower; 1¢/mg for THC

Types of Marijuana Taxes as of March 31, 2021 (\* = not started)

State	Tax Rate							
	\$50/oz. mature flowers;							
	\$25/oz. immature flowers;							
Alaska	\$15/oz. trim, \$1 per clone							
Ariz.	16% excise tax (retail price)							
	15% excise tax (levied on wholesale at average market rate);							
	\$9.65/oz. flowers & \$2.87/oz. leaves cultivation tax;							
Calif.	\$1.35/oz fresh cannabis plant							
	15% excise tax (levied on wholesale at average market rate);							
Colo.	15% excise tax (retail price)							
	7% excise tax of value at wholesale level;							
	10% tax on cannabis flower or products with less than 35% THC;							
	20% tax on products infused with cannabis, such as edible products;							
Ill.	25% tax on any product with a THC concentration higher than 35%							
	10% excise tax (retail price), \$335/lb. flower;							
	\$94/lb. trim;							
	\$1.5 per immature plant or seedling;							
Maine	\$0.3 per seed							
	Up to \$10 per ounce, if the average retail price of an ounce of usable cannabis was \$350 or more;							
	up to \$30 per ounce, if the average retail price of an ounce of usable cannabis was less than \$350 but at least \$250;							
	up to \$40 per ounce, if the average retail price of an ounce of usable cannabis was less than \$250 but at least \$200;							
N.J. (*)	up to \$60 per ounce, if the average retail price of an ounce of usable cannabis was less than \$200							
	\$0.005 per milligram of THC in flower							
	\$0.008 per milligram of THC in concentrates							
	\$0.03 per milligram of THC in edibles							
N.Y. (*)	9% excise tax (retail price)							

• <https://taxfoundation.org/state-recreational-marijuana-taxes-2021/>

# What might we do?

- Tax options: % of price < plant weight < THC.



- Begin with the end in mind.
- State sales may be better than taxes.
- Marginalize the illegal market.
  - Don't overtax.
  - Prosecute cheaters.



# Federal 280E Selling Expense Income Tax – Another Day



Deductible



Best-Designed Marijuana Shops Across ...



Non-deductible

# Questions and comments?

At your service,

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See cannabis tax materials at [www.newrevenue.org](http://www.newrevenue.org).

# In reserve for Q&A

Initiatives to legalize and tax cannabis tend to max out at around 57% of the vote . . .

*Standalone* cannabis tax initiatives, meanwhile, routinely get 75% to 80%.

<https://www.leafly.com/news/industry/opinion-theres-a-better-way-to-tax-legal-cannabis>

World's first cannabis taxes and fees

REPORT  
OF THE  
INDIAN HEMP DRUGS COMMISSION,  
1893-94.  
—♦♦♦—

<https://digital.nls.uk/indiapapers/browse/archive/74908458>

601. The revenue from hemp drugs in Bengal is realized in the form of direct duty and license fees for the right of retail vend at a fixed shop only. The duties per sér levied on the drugs warehoused are as follows:—

		For the province generally.	For the Orissa Division.
		Rs. A. P.	Rs. A. P.
Ganja :			
Chur	...	9 0 0	7 8 0
Round	...	7 8 0	6 4 0
Flat, small twigs		7 4 0	4 8 0
„ large „		6 0 0	
Charas	...	8 0 0	8 0 0
Bhang	...	0 8 0	0 8 0

The duty is levied before the drugs are removed from the wholesale dealer's warehouse. The duty is calculated on the actual weight of the drug issued,



Rupees per ser (about 1 kg) in Bengal

For the province  
generally.

Ganja :		Rs. A. P.
Chur	...	9 0 0
Round	...	7 8 0
Flat, small twigs		7 4 0
" large "		6 0 0
Charas	...	8 0 0
Bhang	...	0 8 0

# Principles of taxation

- Tax what you ~~don't like~~ can find and measure
- ~~Stop~~ marginalize cheating



- Everything is a judgment call

# Issues

**I. Dollars -- Are marijuana tax dollars a big deal?**

II. Goals -- Does anything other than money justify marijuana taxes?

III. Share – What's the range for the public share of marijuana proceeds?

IV. Players -- How much marijuana money do different people want the public to get?

V. Base -- How might we tax marijuana?  
(What's the "tax base"?)

**VI. Enforcement -- How much enforcement of marijuana tax laws is enough?**

**VII. Non-tax – Are taxes better than non-tax wealth sharing?**



NORML supports the continuation of non-tax-deductibility of marijuana business advertising expenses.

For some citizens, advertising is a distraction, or can be a red flag that can cause them to hesitate to support the sound policy of legalization. . . .

maintaining the non-deductibility of advertising costs can act as a preemptive move against well funded corporate controlled marijuana companies, which can afford extensive advertising.

# 4 answers for medical marijuana:

- No tax
- Just sales tax
- Less tax than recreational
- Full tax, like recreational

# States use all 4

	Producer ( <b>medical</b> , too, if <b>bolded</b> )	Retail ( <b>medical</b> , too, if <b>bolded</b> )	Standard sales tax?
Alaska	<b>\$50/oz.</b>	0	0
California	<b>\$9.25/oz.</b>	<b>15%</b>	7.5% on recreational
Colorado	\$7.11/oz. or 15%	15%	2.9% on <b>medical</b>
Maine	\$20.94/oz.	10%	5.5% on <b>medical</b>
Mass	No	13.75%	6.25% on recreational
Michigan	No	10%/3%	6% <b>all</b>
Oregon	No	20%	0
Nevada	<b>\$26.24/oz.</b>	15%	6.85% on recreational
Washington	No	<b>37%</b>	6.5% on recreational

# Blumenauer bill **product level** medical tax exemption

- “approved by the Food and Drug Administration for sale for therapeutic purposes **and** is marketed and sold solely for such purpose.” -- H.R. 1823

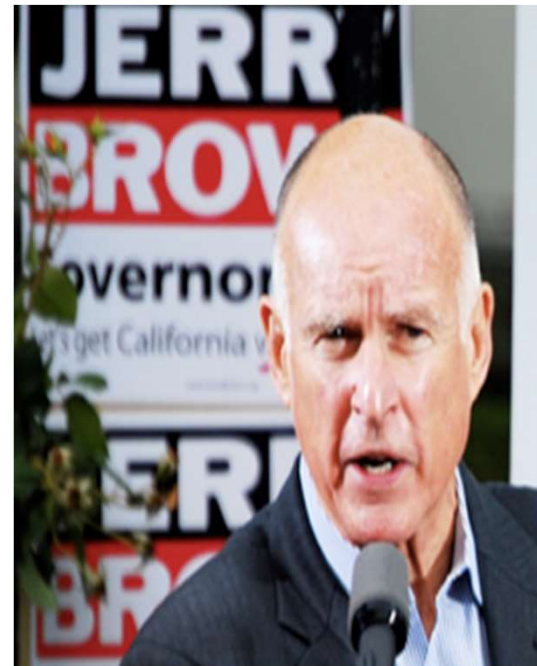
# How much \$?

State	Revenue Per Capita FY 2021
Alaska	\$39.71
California	\$19.17
Colorado	\$71.30
Illinois	\$24.91
Massachusetts	\$15.15
Michigan	\$7.51
Nevada	\$49.75
Oregon	\$41.52
Washington	\$61.52

<https://taxfoundation.org/states-projected-post-higher-marijuana-revenues-2021/>



- “how many people can get stoned and still have a great state or a great nation?” -- California Governor 1975-83 & 2011-19.



- <https://www.washingtonpost.com/news/post-politics/wp/2014/03/02/gov-jerry-brown-on-legalized-marijuana-how-many-people-can-get-stoned-and-still-have-a-great-state/>

# Laffer curve

”Despite [Washington State] having the highest cannabis taxes in the U.S., the evidence suggests that raising taxes would bring in additional tax revenue.”

Cannabis Potency Tax Feasibility Study: A Report for the Washington State Liquor & Cannabis Board

55 Pages • Posted: 14 Nov 2019

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3481584](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3481584)

# What tax burden is right?

Subsidize (negative tax)

Exempt (no tax)

General sales tax only (like shoes)

Offset harm or negatives

Maximize revenue

# Top tax base options

- % of Price – like SB711
- Weight of plant parts
- Weight of THC

# What might we do?

- Begin with the end in mind.
- Tax options: % of price < plant weight < THC.



- State sales may be better than any tax plan.
- Marginalize the illegal market.

