



DISTRIBUTION OF MARIJUANA TAX REVENUE

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Marijuana Taxes

Three state taxes apply to marijuana, but medical and retail marijuana are taxed differently. Both medical and retail marijuana are subject to the 2.9 percent state sales tax, which is applied to most purchases in the state. Additionally, retail marijuana is subject to a 10 percent sales tax, levied on retail sales, and a 15 percent excise tax, levied on the first transfer of marijuana from a wholesaler to a processor or retailer. These additional taxes on retail marijuana were approved by voters with the passage of Proposition AA in 2013. Table 1 shows the state taxes that apply to medical and retail marijuana.

Table 1
State Taxes on Medical and Retail Marijuana

	Medical Marijuana	Retail Marijuana	Uses
State Sales Tax (2.9%)	✓	✓	Marijuana Tax Cash Fund
Special Sales Tax (10.0%)		✓	Marijuana Tax Cash Fund
Excise Tax (15.0%)		✓	First \$40 million for public school construction

Uses of State Marijuana Tax Revenue

Tax revenue collected from the sale of marijuana is deposited in two different funds: the Building Excellent Schools Today (BEST) Fund and the Marijuana Tax Cash Fund (MCTF). A portion of marijuana tax revenue is constitutionally dedicated to the BEST fund, while the uses of the MCTF are statutory. These funds are described below.

Building Excellent School Today (BEST) Fund. When voters approved retail marijuana legalization, they dedicated the first \$40 million in excise tax revenue to school construction in the state constitution. To facilitate this, the General Assembly referred a 15 percent excise tax to voters, with the first \$40 million deposited in the BEST fund.

The BEST fund is used to renew or replace deteriorating public schools. The program prioritizes funding based on issues such as asbestos removal, building code violations, overcrowding, and poor indoor air quality. BEST grants are awarded on a competitive basis and awarded annually.

Marijuana Tax Cash Fund. In 2014, the legislature created the MTCF. State sales tax revenue collected on medical and retail marijuana sales is paid to the fund, along with 85 percent of special sales tax revenue and any excise tax revenue that exceeds \$40 million each year.

The money is required to be spent the year after it is collected and used for health care, health education, substance abuse prevention and treatment programs, and law enforcement.

Spending the money for other purposes requires a change in law. Table 2 shows the MTCF appropriations for FY 2014 -15.

**Table 2
Marijuana Tax Cash Fund Appropriation, FY 2014-15**

Agency	Program	Total Funds
Department of Education	School Health Professional Grant Program to address behavioral health issues in public schools	\$2,500,000
Governor's Office	Office of Marijuana Coordination	190,097
Department of Health Care Policy and Financing	School-based prevention and intervention services	4,363,807*
	School-based early intervention and prevention substance abuse grant program	2,000,000*
	General Fund reserve requirement for school-based prevention and intervention programs	260,000*
	Substance use screening, brief intervention, and referral treatment program	1,000,000**
Department of Human Services	Expansion of Tony Grampas Youth Services program grants for prevention	2,000,000
	Substance use disorder treatment services for adolescents and pregnant women	1,500,000
	Expansion and enhancement of jail-based behavioral health services	2,000,000
	Enhancement of S.B. 91-094 programs to provide alternatives to incarceration at the local level	2,000,000
	Child welfare training	100,000
	Circle Program	1,000,000**
Department of Law	Development of in-house expertise on regulations	456,760
	Peace Officers Standards and Training Board expanded training activities	1,168,000
	Peace Officers Standards and Training Board support	76,000
Department of Public Health and Environment	Public awareness marijuana education campaign	5,683,608
	Healthy Kids Colorado survey	903,561
	Cannabis health environmental and epidemiological training, outreach and surveillance	320,388
Department of Public Safety	Administrative services in the Division of Criminal Justice	204,983
Department of Revenue	Marijuana Enforcement Division	7,600,000***
TOTAL		\$35,327,204
MTCF (FY 2013-14 revenue)		25,363,397
MTCF (FY 2014-15 revenue)		7,600,000
Federal Funds		2,363,807

Source: Joint Budget Committee, Senate Bill 14-215

* Direct spending on these programs is made using General Fund and federal funds. A transfer to the General Fund from the MTCF is made to cover the General Fund portion of the costs of the programs, as well as the General Fund reserve requirements for this spending.

** SB 14-215 transfers \$2.0 million to the General Fund to pay for the costs of these programs in the Department of Human Services and Department of Health Care Policy and Financing.

*** Costs in the Department of Revenue may be paid using funds received in the MTCF in the year it was received.