

Cannabis Revenues & Cities



Sales Tax vs. Excise Tax

- A **sales tax** is levied on retail sales of goods and services and applies to all final consumption with few exemptions.
 - State sales tax is 6.5% with an additional amount of 2.86% earmarked for locals = 9.36% overall state sales tax.
- An **excise tax** is a tax imposed on a specific good or activity.

Current Situation

- State levies 37% cannabis **excise tax** collected at the retail level
- State and local **sales taxes** also collected
- Funds from **excise tax** are distributed to:
 - The state general fund
 - The Basic Health Fund
 - Programs supporting education and prevention
 - LCB Enforcement
 - Research
 - Cities & Counties

[Source: Washington Marijuana Revenues, And Health - Washington State Treasurer](#)

Current Situation

- There are 281 cities and towns in Washington.
- Approximately 80 cities have bans on cannabis operations
- 2020 AWC survey found:
 - “Crime” and “Youth Access” main reasons for bans
 - Current federal law as well as lack of commercial space other reasons cited for bans

Source: [LCB FY16-FY21 Distributions](#)

FY 2020 \$\$\$

- State reported \$1.26 billion in cannabis sales
- Collected \$468.5 million in **excise** tax
- Cities and counties shared \$15 million

[Source: Washington Marijuana Revenues, And Health - Washington State Treasurer](#)
[How \\$1 billion in pot taxes gets spent in Washington state | Crosscut](#)

Where does the \$15 million go?

- Cities receive **\$7.5** million – Counties receive \$7.5 million
 - Split across the 200 cities that do not have a ban.
- 30% of funds are distributed proportionally based on revenues to jurisdictions where **retailers** are **physically** located.
- 70% of funds are distributed on a per capita basis to each jurisdiction that **does not prohibit** siting of licensed producers, processors, or retailers.

[Source: RCW 69.50.540: Dedicated marijuana account—Appropriations. \(wa.gov\)](#)

Where does the \$7.5 million go?

- Seattle (High): **\$1,369,824**
- Krupp (Low): **\$57**
- Average: **\$37,272**
- Median: **\$3,557**

Source: [LCB FY16-FY21 Distributions](#)

In other words...

- For every \$31 dollars the state collects in excise tax, cities and counties receive \$1 in return.

Good news

- Beginning in FY2022, the legislature will pay the full amount owed to cities and counties for the first time (statutory cap) **\$20 million**
- “The total share of marijuana excise tax revenues distributed to counties and cities...**may not exceed fifteen million dollars** in fiscal years 2018, 2019, 2020, and 2021, and **twenty million dollars per fiscal year thereafter.** ~~It is the intent of the legislature that the policy for the maximum distributions in the subsequent fiscal biennia will be no more than fifteen million dollars per fiscal year”~~

[Source: RCW 69.50.540: Dedicated marijuana account—Appropriations. \(wa.gov\)](#)

Example 1 - Vancouver

- Population: 194,600
- Retail licenses with sales: 17
- FY20 retail sales: **\$64,814,617**
- FY20 excise tax: **\$23,981,408**
- State distribution: **\$460,525**
- Per capita state distribution: **\$2.37**

[Sources: April 1, 2021 Population of Cities, Towns, and Counties \(wa.gov\)](#)

[LCB FY16-FY21 Distributions](#)

[LCB Sales Activity by License Number](#)

[LCB Cannabis License Applicants \(both applicants and issued licenses\)](#)

Example 2 - Ephrata

- Population: 8,345
- Retail licenses with sales: 2
- FY20 retail sales: **\$3,083,966**
- FY20 excise tax: **\$1,141,067**
- State distribution: **\$20,267**
- Per capita state distribution: **\$2.42**

[Sources: April 1, 2021 Population of Cities, Towns, and Counties \(wa.gov\)](#)

[LCB FY16-FY21 Distributions](#)

[LCB Sales Activity by License Number](#)

[LCB Cannabis License Applicants \(both applicants and issued licenses\)](#)

Example 3 - Aberdeen

- Population: 17,020
- Retail licenses with sales: 4
- FY20 retail sales: **\$7,011,882**
- FY20 excise tax: **\$2,594,396**
- State distribution: **\$40,412**
- Per capita state distribution: **\$2.37**

[Sources: April 1, 2021 Population of Cities, Towns, and Counties \(wa.gov\)](#)

[LCB FY16-FY21 Distributions](#)

[LCB Sales Activity by License Number](#)

[LCB Cannabis License Applicants \(both applicants and issued licenses\)](#)

Suggestion: Allow for new local tax option

- Cities and counties **do not have legislative authority** to levy additional local excise taxes upon the sale of marijuana.
- Cities and counties **do** collect local sales tax on the sales of cannabis products.
 - Estimated local sales tax 2020 (weighted average 2.86%): \$40,313,000
 - Estimated retail value 2020: \$1,412,533,000

[Source: Recreational and medical marijuana taxes | Washington Department of Revenue](#)

Suggestion: Allow for new local taxes

- New **excise tax** could provide an incentive to local jurisdictions to actively allow for new cannabis retail locations.
- **35%** of cities in an 2020 AWC survey responded “Yes” or “Maybe” when asked about hosting **social equity retail licenses**.
 - **59%** of cities interested in hosting social equity retail licenses would do so for revenue generation.

[Source: Recreational and medical marijuana taxes | Washington Department of Revenue](#)

Local control on cannabis taxes (local excise tax option)

Vancouver

- Retail sales:
\$64,814,617
- Per 1 % tax:
\$648,146
- Per capita 1% tax:
\$3.33

Ephrata

- Retail sales:
\$3,083,966
- Per 1 % tax:
\$30,839
- Per capita 1% tax:
\$3.69

Aberdeen

- Retail sales:
\$7,011,882
- Per 1 % tax:
\$70,118
- Per capita 1% tax:
\$4.12

Additional local incentive options

- Raise the statutory cap on local revenue
- Remove the statutory cap and set local revenue returns by a % of the overall amount of sales
- Set a statutory marker so that any amount raised over that amount is dedicated to social equity programs.
- Education and partnership to dispel myths around the impacts of the cannabis industry.

Thank You

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