

# State and Local Taxes on Recreational Marijuana

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## Issue

Identify the states where recreational marijuana is subject to state and local taxes and describe how the taxes are structured.

This report updates OLR Report [2018-R-0034](#).

## Recreational Marijuana Taxes

Ten states impose excise taxes on recreational marijuana sales. Attachment 1 shows each state's marijuana tax rate and base, the entity subject to the tax, and whether any additional state and local taxes apply to recreational marijuana sales.

The marijuana excise taxes are based on the product's weight or its price or value. Alaska, California, and Maine impose flat, weight-based taxes that depend on the part of the plant being sold (e.g., flowers, leaves, or trim). Alaska and Maine also impose per-unit taxes on plant clones and seedlings and seeds, respectively. The seven other states and California impose taxes based on a percentage of the product's retail sales price or wholesale value. Nevada, for instance, applies a 15% tax on the marijuana's fair market value at wholesale (determined by its Department of Taxation). Washington applies a 37% tax on the product's retail sales price.

### *Excise Tax vs. Sales Tax*

*Excise taxes are taxes imposed on specific goods, such as gasoline or tobacco. They can either be per-unit taxes (e.g., per gallon of gasoline) or ad valorem taxes (e.g., percentage of wholesale price of tobacco products). They are often imposed at the wholesale level, and passed along to consumers as part of the final price.*

*Sales taxes, on the other hand, apply to most retail purchases, with certain exceptions. They are generally calculated as a percentage of the purchase price and paid by the consumer to the retailer.*

The taxes apply at either the wholesale (Alaska and Maine) or retail (Massachusetts, Michigan, Oregon, and Washington) level. California, Colorado, Illinois, and Nevada apply different taxes to each respective level.

In seven of the states (California, Illinois, Maine, Massachusetts, Michigan, Nevada, and Washington), recreational marijuana is also subject to the state's general sales tax. It is exempt from sales tax in Colorado; Alaska and Oregon do not impose a state sales tax. Additional local excise or sales taxes may apply in all of the states except Maine and Michigan.

### Attachment 1: State and Local Taxes on Recreational Marijuana

State	Marijuana Excise Taxes		Other Applicable Taxes	
	Rate and Base	Wholesale or Retail Level	State Sales Tax	Local Taxes
<b>Alaska</b>	<p>\$50/ounce for mature flowers and bud</p> <p>\$25/ounce for immature or abnormal flowers and bud</p> <p>\$15/ounce for the remainder of the plant (i.e., trim)</p> <p>\$1/clone</p>	Wholesale	None	Local option excise taxes and sales taxes may also apply
<b>California</b>	<p>Cultivation tax:</p> <ul style="list-style-type: none"> <li>\$9.65/ounce of flowers</li> <li>\$2.87/ounce of leaves</li> <li>\$1.35/ounce of fresh cannabis plant</li> </ul> <p>Excise tax:</p> <ul style="list-style-type: none"> <li>15% of the average market price (generally wholesale cost, plus mark-up rate determined biannually by the California Department of Tax and Fee Administration)</li> </ul>	<p>Cultivation tax is imposed at wholesale</p> <p>Excise tax is imposed at retail</p>	7.25% state sales tax applies	Local sales taxes may also apply
<b>Colorado</b>	<p>Retail marijuana excise tax:</p> <ul style="list-style-type: none"> <li>15% of the average market rate (determined by the Department of Revenue) or contract price, depending on whether the sale or transfer is between affiliated or unaffiliated parties</li> </ul> <p>Retail marijuana sales tax:</p> <ul style="list-style-type: none"> <li>15% of retail sales price (local government receives 10% of this tax)</li> </ul>	<p>Excise tax is imposed at wholesale</p> <p>Sales tax is imposed at retail</p>	Exempt from 2.9% state sales tax	<p>Local option county and municipal excise taxes may also apply</p> <p>Local sales taxes may also apply</p>

**Attachment 1 (continued)**

<b>State</b>	<b>Marijuana Excise Taxes</b>		<b>Other Applicable Taxes</b>	
	<b>Rate and Base</b>	<b>Wholesale or Retail Level</b>	<b>State Sales Tax</b>	<b>Local Taxes</b>
<b>Illinois</b>	Cannabis cultivation privilege tax: <ul style="list-style-type: none"> <li>7% of gross receipts</li> </ul> Cannabis purchaser excise tax: <ul style="list-style-type: none"> <li>10% of sales price for cannabis with tetrahydrocannabinol (THC) level of 35% or less</li> <li>25% of sales price for cannabis with THC level greater than 35%</li> <li>20% of sales price for cannabis-infused products</li> </ul>	Cultivation tax is imposed at wholesale  Purchaser tax is imposed at retail	6.25% state sales tax applies	Local option county and municipal excise and sales taxes may also apply
<b>Maine</b>	Marijuana excise tax: <ul style="list-style-type: none"> <li>\$335/pound of flowers or mature plants</li> <li>\$94/pound of trim</li> <li>\$1.50 per immature plant or seedling</li> <li>\$0.30 per marijuana seed</li> </ul>	Wholesale	10% state sales tax applies	None
<b>Massachusetts</b>	10.75% of retail sales price	Retail	6.25% state sales tax applies	Local option marijuana sales tax may also apply
<b>Michigan</b>	10% of retail sales price	Retail	6% states sales tax applies	None
<b>Nevada</b>	Wholesale marijuana tax: <ul style="list-style-type: none"> <li>15% of fair market value at wholesale (established by Department of Taxation)</li> </ul> Retail marijuana tax: <ul style="list-style-type: none"> <li>10% of retail sales price</li> </ul>	Wholesale tax is imposed at wholesale  Retail tax is imposed at retail	6.85% state sales tax applies	Local sales taxes may also apply
<b>Oregon</b>	17% of retail sales price	Retail	None	Local option marijuana sales tax may also apply
<b>Washington</b>	37% of retail sales price	Retail	6.5% state sales tax applies	Local sales taxes apply in certain jurisdictions

Source: Federation of Tax Administrators, [State Marijuana/Cannabis Taxes – 2020](#), accessed March 24, 2020; State statutes and tax department websites

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