

# BDR 40-545 SB 302

## EXECUTIVE AGENCY FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: April 1, 2017

Agency Submitting: Department of Taxation

Items of Revenue or Expense, or Both	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Effect on Future Biennia
Personnel (Expense)		\$132,612	\$151,286	\$332,829
In State Travel (Expense)		\$1,665	\$2,804	\$5,608
Operating (Expense)		\$6,663	\$8,049	\$16,098
Equipment (Expense)		\$9,432		
Information Technology (Expense)		\$163,738	\$4,388	\$8,776
Total	0	\$314,110	\$166,527	\$363,311

Explanation

(Use Additional Sheets of Attachments, if required)

Please see attached

Name Deonne Contine

Title Executive Director

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GOVERNOR'S OFFICE OF FINANCE COMMENTS

Date Friday, March 31, 2017

The agency's response appears reasonable.

Name Susan Brown

Title Executive Budget Officer

**DESCRIPTION OF FISCAL EFFECT**BDR/Bill/Amendment Number: 40-545Name of Agency: Department of Taxation

Division/Department: \_\_\_\_\_

Date: January 25, 2017

BDR 40-545 provides for an early start for recreational marijuana sales with tax rates during a temporary period, and then followed by the permanent period.

During the temporary period, the tax rate on medical marijuana of 2% on the cultivation facility, production facility and dispensary are removed. The rate will be 5% on the retail sale of medical marijuana at the dispensary. The distribution mirrors the current structure of 75% to the Distributive School Account (DSA) and 25% to DPBH/DHHS. Also, during this temporary period, the retail sale of marijuana (non-medical) can occur. The tax rate will be 15% and is distributed 100% to the DSA. These changes are effective upon passage of the bill.

Once the Department of Taxation issues the first license to a marijuana establishment for the retail sale of marijuana, the temporary period stops and the permanent tax structure is put in place. The rate and distribution will remain unchanged for medical marijuana at 5% on the retail sale and distribution of 75% to the DSA and 25% to DPBH/DHHS. The retail sale of marijuana (non-medical) will remain at 15% but distribution changes to 2/3rds to the DSA and 1/3 through the Local Government Tax Distribution Account (CTAX) back to the local government in which the business is located.

**Expense:**

The Department would require some additional audit staff to support the new tax rate of 15% for the retail sale of marijuana. We estimate that two Compliance Audit Investigator III's would be needed to ensure compliance.

The Department will also be required to make some programming changes. Our estimates are based off the assumption that the first tax return would not be due for 30 days until after passage of the bill, giving the Department a small timeframe to make programming changes. In addition, the Department assumed the CTAX distribution to the local government would follow the same framework as the current CTAX distribution for other tax types and would be distributed at the county level. The following is the fiscal impact to make these programming changes to the Unified Tax System.

FY 2018: \$314,110

FY 2019: \$166,527

Future Biennia: \$363,311

**Revenue:**

The impact on revenue cannot be determined